No. 78-308

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

MOBAY CHEMICAL CORPORATION, *Appellant,*

v.

DOUGLAS COSTLE, Administrator, United States Environmental Protection Agency, *Appellee.*

On Appeal from the United States District Court for the Western District of Missouri

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JURISDICTIONAL STATEMENT

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JURISDICTIONAL STATEMENT

OPINION BELOW

The opinion of the three-judge district court (App. A, *infra,* pp. 1a-22a) is not yet reported.

JURISDICTION

The judgment of the three-judge district court was entered on March 28, 1978. (App. B, *infra,* p. 23a.) The notice of appeal was filed May 26, 1978. (App. C, *infra,* p. 24a.) An order of Mr. Justice Blackmun extending the time for docketing this appeal to August

24, 1978, was entered July 10, 1978. (App. D, *infra*, p. 25a.)

The jurisdiction of this Court is conferred by 28 U.S.C. §§ 1253, 2282, as they were in effect when the suit was brought.[1]

QUESTION PRESENTED

Whether Section 3(c)(1)(D) of the Federal Insecticide, Fungicide and Rodenticide Act, as amended in 1975, providing for limitations on and compensation for the Environmental Protection Agency's use of research and test data submitted confidentially by an applicant to support the registration of a pesticide, but restricting that provision to data which were submitted "on or after January 1, 1970," violates the due process and just compensation clauses of the Fifth Amendment in that (a) such limitation effects a governmental taking of private property in the form of data submitted confidentially prior to 1970, (b) the taking is for private purposes, and (c) the taking is without just compensation.

CONSTITUTIONAL PROVISION INVOLVED

The Fifth Amendment to the Constitution of the United States provides, in pertinent part, as follows:

> . . . nor shall any person . . . be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

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[1] The amended petition seeking an injunction against the enforcement of the statute was filed April 23, 1976. The repeal of 28 U.S.C. § 2282 by the Act of August 12, 1976, P.L. 94-381, 90 Stat. 1119, is not applicable "to any action commenced on or before the date of enactment."

STATUTE INVOLVED

Section 3(c)(1)(D) of the Federal Insecticide, Fungicide and Rodenticide Act, as amended by the Act of November 28, 1975, P.L. 94-140, 89 Stat. 751, 755 (7 U.S.C. § 136a(c)), provides, in pertinent part:

> (1) Each applicant for registration of a pesticide shall file with the Administrator a statement which includes—
>
> * * * * * * * *
>
> (D) if requested by the Administrator, a full description of the tests made and the results thereof upon which the claims are based, except that data submitted on or after January 1, 1970, in support of an application shall not, without permission of the applicant, be considered by the Administrator in support of any other application for registration unless such other applicant shall have first offered to pay reasonable compensation for producing the test data to be relied upon and such data is not protected from disclosure by section 10(b). This provision with regard to compensation for producing the test data to be relied upon shall apply with respect to all applications for registration or reregistration submitted on or after October 21, 1972. If the parties cannot agree on the amount and method of payment, the Administrator shall make such determination and may fix such other terms and conditions as may be reasonable under the circumstances. The Administrator's determination shall be made on the record after notice and opportunity for hearing. If either party does not agree with said determination, he may, within thirty days, take an appeal to the Federal district court for the district in which he resides with respect to either the amount of payment or the terms of payment, or both. Registration shall not be delayed pending the determination of reasonable compensation between the applicants, by the Administrator or by the court.

STATEMENT

A. Statutory and Regulatory Background

The constitutional issue in this case is clear and compact:

> May private research and test data developed by a party at great expense, and submitted in confidence to the government to support the party's application, be used by the government, without compensation, for the benefit of another party who made no contribution to the development of the data?

In order to understand how this issue arises, it is necessary to set out first the history and development of the Federal Insecticide, Fungicide and Rodenticide Act, and some of the administrative actions taken under that Act.

The Federal Insecticide, Fungicide and Rodenticide Act (customarily known as FIFRA) was originally enacted in 1947 to require the registration of all pesticides shipped in interstate commerce. Act of June 25, 1947, ch. 125, 61 Stat. 163. In order to obtain registration, section 4 of the 1947 Act required that an applicant must submit a complete copy of the labeling accompanying a pesticide, a statement of all claims to be made for it, and, if requested by the agency administering the Act, a full description of the tests made and the results thereof upon which the claims were based. Until 1970, FIFRA was administered by the United States Department of Agriculture.[2] Material submitted to the Department of Agriculture was submitted in confidence. This is confirmed by the nature of the ma-

[2] Tolerances for pesticide chemicals were established by the Secretary of Health, Education and Welfare, through the Food and Drug Administration.

terials submitted and by the regulations of the Department of Agriculture which provided that "information relative to formulas of products acquired" under Section 4 of FIFRA could not be disclosed (7 C.F.R. § 370.13(c)(1)—1968 ed.), and that trade secret and confidential or privileged "commercial or financial information," including "Scientific and technical data on products or processing methods," "Data in research studies," and, generally, "Records concerning research project descriptions," would not be disclosed. 7 C.F.R. § 370.13(d)—1968 ed. This carried forward regulations which had long been in effect providing for the confidential treatment of data submitted in connection with registration applications.[3]

On December 2, 1970, all administrative functions relating to pesticides were transferred to the Environmental Protection Agency (EPA) under the provisions of Reorganization Plan No. 3 of 1970. 84 Stat. 2086.

In 1972, FIFRA was extensively amended. Act of October 21, 1972, P.L. 92-516, 86 Stat. 973. For the purpose of this case, the important change was made in section 3, which was amended to provide that research and test data submitted by a company in support of an application—

> shall not, without permission of the applicant, be considered by the Administrator in support of any other application for registration unless such other applicant shall have first offered to

[3] See 7 C.F.R. § 1.4(b)(15)—1962 ed., which provided that data concerning products and formulations provided by industry in connection with registration are administratively confidential, and 7 C.F.R. § 1.3(b)(1)—1949 ed., which provided that applications and supporting data would be available only to persons who furnished the material, or under compulsory process.

> pay reasonable compensation for producing the test data to be relied upon and such data is not protected from disclosure by section 10(b).

Section 10(b) of the 1972 Act, to which reference is made at the end of the indented quotation above, provides:

> Notwithstanding any other provision of this Act, the Administrator shall not make public information which in his judgment contains or relates to trade secrets or commercial or financial information obtained from a person and privileged or confidential, except that, when necessary to carry out the provisions of this Act, information relating to formulas of products acquired by authorization of this Act may be revealed to any Federal agency consulted and may be revealed at a public hearing or in findings of fact issued by the Administrator.

Thus, under the 1972 Act, if the information submitted in support of a registration application is not trade secret data—using "trade secret" to cover material within the provisions of section 10(b)—it may be considered by the Administrator for the benefit of a third party *only* (a) if the owner of the data grants the Administrator permission to use the data, or (b) if the applicant for whose benefit the data will be used agrees to pay the owner reasonable compensation.[4] If the data are "trade secret," including "commercial or financial information," within the meaning of section 10(b), then, without the owner's permission, *they cannot be used at all.*

[4] The validity of this compulsory license provision is not an issue in this case.

Under section 3(c)(2) of the 1972 Act, 7 U.S.C. § 136a(c)(2), data which are not "trade secrets" are for the first time to be made public by EPA, and are thereafter freely available for use by all, in the conduct of research, or otherwise, except for use of the data by an applicant for the purpose of registration of pesticides under FIFRA.

On November 19, 1973, the EPA Administrator published a document entitled "Registration of Pesticides," which was subtitled "Consideration of Data by the Administrator in Support of Application; Interim Policy" (hereafter referred to as the "Interim Policy Statement"). 38 Fed. Reg. 31862-31864 (1973). In the Interim Policy Statement, the EPA declared that the restrictions in section 3(c)(1)(D) on the Administrator's use of data submitted by previous applicants were applicable only to applications filed on or after the date of the Statement, that is, November 19, 1973. In the Statement, the EPA also took the position that the compensation provision of section 3(c)(1)(D) was applicable only to data submitted on or after October 21, 1972, the date of enactment of FIFRA of 1972, rather than to all data submitted in support of registration applications.

On May 20, 1975, the Administrator published proposed regulations under the Freedom of Information Act, 5 U.S.C. § 552. 40 Fed. Reg. 21987-22002. These regulations stated proposed procedures with respect to disclosure of data under section 10(b) of FIFRA of 1972.[5] Under section 2.307(g) of these proposed disclosure regulations, and despite the provisions of section 10(b), the Administrator took the position

[5] As pointed out above, section 10(b) of FIFRA of 1972, 7 U.S.C. § 136h(b), describes information which is not subject to public disclosure. If information submitted by an applicant falls within the description in section 10(b), section 3(c)(1)(D) provides that the Administrator may not use such information in support of a subsequent applicant's registration without the permission of the previous applicant.

that scientific data generally,[6] including but not limited to test methodology and results submitted to the Administrator under the original FIFRA and under FIFRA of 1972, were not entitled to confidential treatment.[7]

Following the issuance of the Interim Policy Statement, litigation was commenced on the questions whether the provisions of section 3(c)(1)(D) were (1) applicable to all data submitted in support of registration applications, or only to data submitted on or after October 21, 1972, and (2) whether the section became effective on October 21, 1972, the date of enactment, or on November 19, 1973, the date of publication of the Interim Policy Statement, as EPA contended.

Thereafter, on November 28, 1975, section 3(c)(1)(D) of FIFRA of 1972 was amended. Act of November 28, 1975, P.L. 94-140, 89 Stat. 751, 755. The 1975 amendment put section 3(c)(1)(D) into its present form. It provides that the section applies to all applications for registration submitted to EPA

[6] The term "scientific data" was defined in the proposed regulations so as to preserve confidentiality *only* for information concerning the confidential formula of a pesticide or the manufacturing and quality control processes employed in producing the pesticides. 40 Fed. Reg. 22000 and 40 Fed. Reg. 28815.

[7] In June, 1976, the Administrator began mailing "Notices of Determination" which advised the recipients that the EPA intended to disclose publicly information submitted by them, without any determination by the EPA as to whether the data were covered by section 10(b) of the Act, unless judicial relief was sought. Litigation followed. The one-judge court in this case held the Notice procedures invalid, stating in part that they "reflect application of the Administrator's faulty 'trade secret' definition." *Mobay Chemical Corp.* v. *Costle*, 447 F. Supp. 811, 829 n. 26 (W.D. Mo. 1978).

on or after October 21, 1972, rather than, as the EPA had contended, only to those applications submitted to the Agency on or after November 19, 1973. In addition, the 1975 amendment enacted the provision which gives rise to this case. Under the amendment, the use restrictions in section 3(c)(1)(D) are applicable only to data submitted to the EPA or its predecessor agencies "on or after January 1, 1970."[8] Thus, under the statute as amended, there is no restriction on the use by EPA of data submitted before January 1, 1970, and no provision for compensation for the use of such data. The date was apparently adopted as a Solomonic conference compromise,[9] and there

[8] The bill passed by the House [in 1975] contained no provision amending section 3(c)(1)(D). The House Committee stated that: "It was the Committee's intent at the time of the 1972 amendments and it is the Committee's intent now that section 3(c)(1)(D) of the Act be applied to all test data submitted to the EPA for registration purposes under this Act in the possession of EPA, regardless of whether it was submitted after October 21, 1972 or prior to such date." H.R. Rep. No. 94-497, 94th Cong., 1st Sess. 25 (1975). The Senate added section 12 to the bill, which would amend FIFRA of 1972 to provide compensation for data submitted "on or after October 21, 1972." S. Rep. No. 94-452, 94th Cong., 1st Sess. 4, 9-11 (1975).

When the bill went to conference, the Conference Report recited that "in the discussion of the bill on the *House* Floor, it was stated that it was the Committee's intent that on new registrations, the reasonable compensation data provision be applied regardless of when the data relied on was originally received by EPA." H.R. Conference Rep. No. 94-668, 94th Cong. 1st Sess. 5 (1975). The Conference Report adopted the January 1, 1970 date.

[9] The following appears in the transcript of the hearing in the court below (pp. 54-55):

> JUDGE HUNTER: What do you say the significance of the 1970 date is? Why that date? What significance, if any?
>
> MR. GRAY [counsel for the EPA]: It has the virtue of being a round number . . . [T]hey compromised on January 1, 1970. Just that simple. . . .

is nothing to indicate that the constitutional question was recognized or considered by the conference committee which proposed it.

B. Factual Background

The facts stipulated in the trial court show:

The Chemagro Agricultural Division of Mobay Chemical Corporation (hereafter referred to as "Mobay") has engaged in research and development activities with respect to agricultural and other pesticides for approximately twenty-four years, and has played a leading role in the development of agricultural pesticides which are systemic and non-persistent in the environment. (Stip. below pars. 5, 7, 8.)

During the period from 1954 to the present, Mobay has submitted substantial information, research and test data to the Department of Agriculture, the Food and Drug Administration, and the EPA in support of numerous applications for registration of pesticides under FIFRA and FIFRA as amended. On the basis of this information, research and test data, Mobay has obtained numerous pesticide registrations. (Stip. below pars. 12, 13.)

Mobay has spent and currently spends "multi-millions of dollars" annually in research and development activities to create the data necessary to develop, maintain, and expand its registered pesticide products. Specifically, the information, research and test data Mobay has submitted to support its registrations cost substantial sums of money to produce, are of great value when held in confidence, and are used by it both in the development of additional formulations for registered products and in the development of new products which are chemically re-

lated to products previously developed. (Stip. below pars. 17-20, 91-92, 111-112.)[10]

Since 1972, numerous registrations have been issued by the EPA to companies other than Mobay in reliance on information, research and test data submitted by Mobay. The information, research and test data relied upon by the Administrator to issue these registrations to third parties were initially submitted by Mobay both prior to and subsequent to January 1, 1970. The registrations were issued on the basis of the use of Mobay's data, without Mobay's permission, and without any offer of compensation to Mobay by the subsequent applicants. Since 1972, numerous registrants have submitted applications for registration of their products, which would require the Administrator to consider and use Mobay's data. Although issuance of these registrations would require consideration and use of Mobay's data submitted both before and after January 1, 1970, no offer of compensation has been made directly to Mobay, nor has its permission to use the data been requested. (Paragraphs 38, 39 and 50 of amended complaint; admitted in answer; stip. below pars. 43-45, 111-146.)

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[10] The data developed and submitted by Mobay in connection with its pesticide registrations include, *inter alia*, biochemistry research involving the radiosynthesis of pesticide compounds, plant, animal and soil metabolism studies conducted with radiolabeled compounds, and environmental chemistry studies involving soil run-off and leeching, degradation in water and in soil, and photodecomposition. Also included in the data are acute and chronic mammalian, fish and wildlife toxicology studies, and research relating to formulation development and analysis, and manufacturing processes and results. It presently takes approximately eight years of integrated and coordinated research activities and the expenditure of $7-8 million to create the data necessary to support the initial registration of a single pesticide product. Plaintiff's exhibits below no. 1, nos. 4-1a through 4-88c, no. 6 and nos. 50-20a through 50-52a.

C. Proceedings Below

Initially, in 1975, prior to the 1975 amendment of FIFRA, Mobay brought an action in the district court for the Western District of Missouri for a declaratory judgment and injunction with respect to the consideration by the EPA Administrator of data, submitted in confidence by Mobay, to support registration applications of other companies. At that time, it was known only that one registration had been granted to a third party on the basis of Mobay's data, and several others were pending.[11] In May, 1975, the Administrator was preliminarily enjoined from consideration of all Mobay data in support of a third party's registration, no matter when submitted, where permission for use had not been granted by, and no specific offer of compensation had been made to, Mobay. *Mobay Chemical Corp.* v. *Train,* 394 F. Supp. 1342, 1348-1350 (W.D. Mo. 1975).

On April 23, 1976, Mobay amended its complaint to challenge on constitutional grounds the 1975 amendment to FIFRA which limited the restrictions on use, and the provisions for compensation set forth in FIFRA of 1972, to data submitted after January 1, 1970.[12] In its amended complaint Mobay asked that

[11] Mobay's permission to use the data was neither sought nor granted, nor was an offer of compensation made.

[12] Other issues raised in the amended complaint included, *inter alia,* the definition of a trade secret adopted by the Administrator, the legality of the Administrator's actions in issuing registrations to others in reliance on Mobay's data, and the validity of the Interim Policy Statement.

The single district judge decided the issues other than the constitutional question. *Mobay Chemical Corp.* v. *Costle,* 447 F. Supp. 811 (W.D. Mo. 1978). Both parties took appeals from the decision

EPA be enjoined from application of the limitation of section 3(c)(1)(D) of FIFRA, as amended, to data submitted "on or after January 1, 1970," in that it effects a governmental taking of Mobay's property, that is, data submitted on a confidential basis prior to January 1, 1970, for private purposes, and without just compensation in violation of the Fifth Amendment. Mobay requested that a three-judge court be convened to consider the constitutionality of the 1970 cut-off.

The three-judge court held that while Mobay's interest in the data submitted to EPA or its predecessors is an interest in property (App. A, *infra,* pp. 9a-11a), the limitation of section 3(c)(1)(D) to data submitted on or after January 1, 1970, does not effect a taking of the property submitted before that date. The court then concluded that because there was no taking, it was unnecessary to decide the question whether the alleged taking was for a private or public purpose. (App. A, *infra,* p. 21a.)

THE QUESTIONS ARE SUBSTANTIAL

1. The Court Has Jurisdiction.

The decision of the three-judge court involves a significant and important question as to the constitutionality of an Act of Congress. Such a question warrants review by this Court. Section 3(c)(1)(D) of the Federal Insecticide, Fungicide and Rodenticide Act, as amended in 1975, 7 U.S.C. § 136a(c)(1)(D), *supra,* p.

of the single judge on the issues decided by him (which did not include the constitutional claim presented here) to the United States Court of Appeals for the Eighth Circuit. On joint motion, an order dismissing both appeals with prejudice was entered on July 6, 1978.

3, provides for EPA's use for the benefit of others of valuable confidential private property, without compensation, when this property was submitted to the government before January 1, 1970. This effects a taking of private property in violation of the due process and just compensation clauses of the Fifth Amendment. The three-judge court specifically addressed that question and decided it against the constitutional claim. Thus the case falls directly within the jurisdictional statute. 28 U.S.C. §§ 1253, 2282 (1970).

2. The Question of "Taking" Is Novel and Substantial.

In reaching its result, the three-judge court concluded that there was not a "taking" of Mobay's property, as that term is used in the Fifth Amendment.[13] This construction of the constitutional provision is erroneous when applied to intellectual property whose value lies in its exclusive use by its owner. The statute makes research and test data, confidentially submitted to EPA or its predecessor agencies prior to 1970, freely available for the benefit of other private companies, without any compensation to the owner of the data.

The court below concluded that there is a property interest in the data provided in support of pesticide

[13] Thus the question in this case is unlike the questions presented in *Chrysler Corp.* v. *Brown*, No. 77-922, *certiorari granted*, March 6, 1978, which arise under the Freedom of Information Act, and do not involve any claim that there is a property interest in information submitted to the government which has not been afforded due process protections. The court of appeals there did not reach the due process issue, calling the record at that stage of the case "too speculative," and noting that no final decision to release the information had been made. 565 F.2d 1172, 1193 (3rd Cir. 1977).

registrations.[14] But the court held that the statute does not effect a taking because the owner of the data remains able to use it. That rationale, while perhaps relevant to the question whether there has been a taking of tangible property by regulating its use (*cf. Penn Central Transportation Co.* v. *New York City*, No. 77-444 (slip op. at 18), decided June 26, 1978), completely ignores the inherent differences between tangible and intellectual property. The value of intellectual property lies in its *exclusive* use by its owner; and this right is recognized and protected as a property interest in our law. *Cf. Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470.

The court below said, "This Court simply cannot reasonably conclude that the Administrator's mere consideration of data . . . without disclosing the contents of that data to any other person . . . violates the Fifth Amendment to the United States Constitution." (App. A, *infra*, p. 19a.) This is both mistaken and inadequate. In a traditional trade secret or know-how case, the plaintiff proves either that the defendant is using a trade secret obtained by unfair means, or that use of the trade secret by the defendant is in violation of trust or confidence, to the injury of the plaintiff. Here, Mobay submits its property in confidence for a specific and limited purpose, and then the EPA uses it for the direct benefit of subsequent applicants.[15] Whether the

[14] This Court has said in regard to the Fifth Amendment that "The constitutional provision is addressed to every sort of interest the citizen may possess." *United States* v. *General Motors Corp.*, 323 U.S. 373, 378. *See also Pearson* v. *Dodd*, 410 F.2d 701, 707-708 (D.C. Cir. 1969); *Com-Share, Inc.* v. *Computer Complex, Inc.*, 338 F. Supp. 1229 (E.D. Mich. 1971), *aff'd*, 458 F.2d 1341 (6th Cir. 1972).

[15] In *United States* v. *General Motors Corp., supra*, 323 U.S. at 378, this Court said: "The courts have held that the deprivation of

information is actually disclosed to the subsequent applicants is not material, because EPA gives the other applicants the use and benefit of the information for purposes of registration of their products. Thus, Mobay has sustained the same type of injury, and later applicants have obtained the same advantage, which can only mean that plaintiff's property, the fruit of its economic investment, and having clear and substantial value, has been taken from it, and its benefit given, at no cost, to subsequent applicants.

3. It Is Important to Clarify the Proper Treatment of Confidential Data by EPA and Other Agencies.

The course of conduct of the EPA, outlined above, from the date of enactment of the 1972 amendments to FIFRA to the present, evidences continuing disregard of the requirements of the Constitution with respect to the use by the government of intellectual property belonging to others. There has been resistance by the EPA in applying the specific statutory mandates of FIFRA respecting the consideration, use and disclosure of data submitted to it:

(1) No implementation of section 3(c)(1)(D) was made until November 19, 1973, the date of publication of the Interim Policy Statement,[16] rather than enforcing the restrictions as of the date of their enactment.

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the former owner rather than the accretion of a right or interest to the sovereign constitutes the taking." Here Mobay is a "former owner," once such data have been used for the benefit of others.

Cf. *Thompson* v. *Consolidated Gas Utilities Corp.*, 300 U.S. 55, 78-80. *See also Eyherabide* v. *United States*, 170 Ct. Cl. 598, 606, 345 F.2d 565, 570 (1965), where the court said: "If the Government's encroachments on private property make it possible for another to get the benefits of that property, the United States is liable just as if it used the property for itself."

[16] 38 Fed. Reg. 31862 (1973).

(2) In the Interim Policy Statement, EPA provided that only data submitted on or after October 21, 1972, was protected by section 3(c)(1)(D), although the statute and the legislative history of the 1972 Act indicate that all data submitted were to be so protected.[17]

(3) EPA similarly ignored the legislative history of the definition of a trade secret under section 10(b),[18] and instead proposed another definition.

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[17] Section 3(c)(1)(D), as passed by the House of Representatives in November 1971, contained a provision stating that data submitted under FIFRA could not be considered in support of a third party's application without permission of the applicant who originally submitted the information. The Senate retained the exclusive use provision but added a mandatory licensing provision for test data with payment of a reasonable share of the cost of producing the data. The Senate [in 1972] contemplated that the compensation provided under the mandatory licensing clause would apply to all data, and, in fact, the Senate Committee rejected an amendment which would have limited compensation to data submitted after the effective date of the Act. *See Hearings on H.R. 10729, Before the Subcomm. on Agriculture Research and General Legislation of the Senate Comm. on Agriculture & Forestry*, 92d Cong., 2d Sess. pt. 2 at 276 (1972); proposed amendment to H.R. 10729 No. I submitted to the Senate Committee on Agriculture & Forestry; S. Rep. No. 92-838, 92d Cong., 2d Sess. 10-11 (1972); 118 Cong. Rec. S15893 (daily ed. Sept. 26, 1972) (Remarks of Senator Allen); and S. Rep. No. 92-838, 92d Cong., 2d Sess. pt. 2 at 69-73 (1972); 118 Cong. Rec. S15894 (daily ed. Sept. 26, 1972). *See also* H. R. Rep. No. 94-497, 94th Cong., 1st Sess. 25 (1975), *supra*, p. 9, n. 8.

[18] A number of courts have considered the definition of a trade secret used by the EPA and found it erroneous. Each court found that the legislative history of FIFRA approved the use of the definition found in the Restatement of Torts, Section 757, Comment b. *See Dow Chemical Co.* v. *Costle*, No. 78-10087 (E.D. Mich. Nov. 16, 1977); *Chevron Chemical Co.* v. *Costle*, 443 F. Supp. 1024 (N.D. Cal. 1978); and *Mobay Chemical Corp.* v. *Costle*, 447 F. Supp. 811 (W.D. Mo. 1978).

(4) In June, 1976, after the enactment of FIFRA of 1975, EPA began mailing "Notices of Determination," which would result in public disclosure of data, without the specific determination contemplated by FIFRA of whether the data were protected under section 10(b) of the Act. (Stip. below at 98-103.)

(5) EPA also disregarded restrictions on the use of data in connection with the re-registration of pesticides.[19]

Each of these actions taken by the EPA involved a failure to appreciate the rights of a pesticide registrant in connection with the use and disclosure of data it submits in support of registration. Each action has been overturned by Congress or the lower courts.

It is clear even from this brief recitation that EPA has failed to protect the proprietary rights of registrants in the intellectual property which they have created. If Congress is allowed to provide for the uncompensated use of a person's private property for the benefit of his competitors, all those now developing and submitting intellectual property to EPA and to other agencies of the government[20] will be discouraged. Companies will become reluctant to undertake

[19] *See Dow Chemical Co.* v. *Train*, 423 F. Supp. 1359, 1366 (E.D. Mich. 1976); and *Mobay Chemical Corp.* v. *Costle*, 447 F. Supp. 811 (W.D. Mo. 1978).

[20] In addition to several other programs administered by EPA, extensive submission of test data is required by the Food and Drug Administration for the licensing of antibiotics, new animal drugs, and biological products such as viruses, toxins and serums. *See* 21 C.F.R. §§ 431.1(e), 514.1, 601.25 (1977). *See also* 9 C.F.R. § 102.3 (1977). Similar requirements are found in Nuclear Regulatory Commission regulations relating to licensing of those owning, manufacturing, distributing or importing certain radioactive materials. *See* 10 C.F.R. §§ 30.53, 40.63, 50.34, 50.34a and 50.36 (1977).

the investment in innovative and creative research on the scientific frontiers which is necessary for the discovery of new, more selective, and safer pesticides, and for similar advances in other areas. Thus, the decision of the three-judge court will provide a chilling effect on research and development efforts in every sector of the economy which is subject to federal regulation.

Even though many pesticides are on the market today, the problem is to encourage innovation and exploration. There is need to develop wholly new classes of compounds. Rather than pioneering this development, companies will hesitate to be the first to come forward with a new product, fearing that competitors may enjoy the benefits of their investment, or hoping that they may wait and reap the harvest from the investments of others. Environmental and agricultural interests alike will suffer. A decision with the potential to produce this undesirable, and economically and legally unsound result presents a substantial question, and should not be permitted to stand without consideration by this Court.

CONCLUSION

A decision by this Court in this case is necessary to establish adequate protection against government misuse of confidential intellectual property, and to prevent the misappropriation of such property by the government for the benefit of others who have in no way contributed to the production of the valuable property involved, all contrary to the due process and just compensation provisions of the Fifth Amendment. The resolution of this question is important both to the government and to many private parties. The question is real, constitutional, continuing, not covered by any existing decision, and substantial.

Probable jurisdiction should be noted.

Respectfully submitted,

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August 1978.

APPENDIX A

Opinion and Order of the United States District Court for the Western District of Missouri, Western Division, March 28, 1978

APPENDIX A

Opinion and Order of the United States District Court for the Western District of Missouri, Western Division, March 28, 1978

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MISSOURI, WESTERN DIVISION

No. 75 CV 238-W-4
No. 76 CV 351-W-4

MOBAY CHEMICAL CORPORATION, *Plaintiff*,

vs.

DOUGLAS COSTLE, Administrator, United States Environmental Protection Agency, *Defendant*.

(FILED MARCH 28, 1978)

Before Floyd R. Gibson, Chief Circuit Judge, William H. Becker, Senior District Judge, and Elmo B. Hunter, District Judge.

Opinion and Order

HUNTER, District Judge.

Plaintiff, a firm engaged in the business of developing, producing and marketing pesticides for agricultural and industrial use, seeks an Order of this Court enjoining defendant from further enforcement and application of § 3 (c)(1)(D) of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 7 U.S.C. § 136a(c)(1)(D), as amended, as violative of the Fifth Amendment to the Constitution of the United States. By Order entered July 20, 1976, this three-judge court was empanelled pursuant to 28 U.S.C. § 2284. Oral arguments were presented on November 29, 1977, and following submission of supplemental briefs, the constitutional issue[1] was fully and finally submitted to this Court on January 16, 1978.

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[1] In addition to the constitutional question now before this Court, plaintiff raised numerous claims for declaratory and injunctive

Background

The relevant facts are as follows. The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 7 U.S.C. § 135 *et seq.*, enacted in 1947 to require registration of certain pesticides, originally applied only to pesticides shipped in interstate commerce. The Act was administered by the United States Department of Agriculture.[2] Tolerances for pesticide chemicals were established by the Secretary of Health, Education and Welfare. In 1970, both of these administrative functions were transferred to the Environmental Protection Agency (EPA) under the provisions of Reorganization Plan No. 3, 35 Fed. Reg. 15623 (1970). In order to satisfy the requirements of these administering agencies, applications for registration of pesticides and for tolerances had to be supported by substantial amounts of information, research and test data regarding the pesticide chemical.

In 1972, FIFRA was amended by Section 2 of the Federal Environmental Pesticide Control Act (FEPCA), Pub. L. No. 92-516, 92d Cong., 2d Sess. (Oct. 21, 1972), 86 Stat. 973. In essence, the 1972 amendments completely rewrote the statute to create a comprehensive regulatory program governing the manufacture, distribution, and use of pesti-

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relief which were heard and determined, following trial, by Judge Hunter. See Mobay Chemical Corp. v. Costle, 447 F. Supp. 811 (W.D. Mo. 1978).

[2] Before any pesticide could be marketed in interstate commerce, FIFRA required that the producer have the pesticide registered. In order to obtain registration, the applicant for registration was required to demonstrate to the satisfaction of the Secretary of Agriculture the safety and efficacy of the pesticide product. If the use of a pesticide could result in a residue in or on food crops, a tolerance for such use also had to be established pursuant to § 408 of the Food, Drug and Cosmetic Act.

cides.[3] Central to the regulatory scheme established in FIFRA of 1972 was Section 3, 7 U.S.C. § 136a, which required registration of pesticides sold or shipped in commerce and prescribed standards and procedures for registration. Section 3 authorized the Administrator of the EPA to require applicants for registration to submit data supporting the safety and efficacy of the product for which registration is sought, but provided that data submitted in support of an application should not, without permission of the applicant, be considered by the Administrator in support of any other application for registration unless the other applicant has first offered to pay reasonable compensation for producing the test data to be relied upon and the data does not contain or relate to trade secrets or confidential financial or commercial information.[4]

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[3] "Section 2 of the bill contains a series of amendments to the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) which completely rewrite that statute. The thrust of these amendments is to change FIFRA from a labeling law into a comprehensive regulatory statute that will henceforth more carefully control the manufacture, distribution, and use of pesticides." See H.R. Rep. No. 92-511, 92nd Cong., 1st Sess. at 1.

[4] § 3(c)(1)(D) of FIFRA of 1972, 7 U.S.C. § 136a(c)(1)(D) (1972), provided: "Each applicant for registration of a pesticide shall file with the Administrator a statement which includes . . . . (D) if requested by the Administrator, a full description of the tests made and the results thereof upon which the claims are based, except that data submitted in support of an application shall not, without permission of the applicant, be considered by the Administrator in support of any other application for registration unless such other applicant shall have first offered to pay reasonable compensation for producing the test data to be relied upon and such data is not protected from disclosure by section 10(b). If the parties cannot agree on the amount and method of payment, the Administrator shall make such determination and may fix such other terms and conditions as may be reasonable under the circumstances. The Administrator's determination shall be made on the record after notice and opportunity for hearing. If the owner of the test data does not agree with said determination, he may,

Thus, the 1972 version of § 3(c)(1)(D) created a mandatory licensing system for test data which was not protected from disclosure by § 10(b) of the Act. The 1972 amendments, however, did not clearly indicate whether the § 3 (c)(1)(D) restrictions on use of data by the Administrator and the provision for compensation of original applicants applied to all data ever submitted to the EPA or its predecessor agencies, or whether they applied instead only to data first submitted after enactment of the 1972 amendments. Litigation on that issue was commenced.

In 1975, Congress amended § 3(c)(1)(D), and that amendment is the subject of this proceeding. As it presently reads, § 3(c)(1)(D) of FIFRA provides:

> (c) Procedure for Registration
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> (1) Statement required—Each applicant for registration of a pesticide shall file with the Administrator a statement which includes—
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> (D) If requested by the Administrator, a full description of the tests made and the results thereof upon which the claims are based, except that data submitted on *or after January 1, 1970,* in support of an application shall not, without permission of the applicant, be considered by the Administrator in support of any other application for registration unless such other applicant shall have first offered to pay reasonable compensation for producing the test data to be relied upon and such data is not protected from disclosure by section 136h(b) of this title. This provision with regard to compensation for producing the test data to be relied upon shall apply with respect to all applications for registration or reregistration submitted on or after October 21, 1972. If the parties cannot agree on the amount and method of payment, the Administrator shall make such determination and may fix such other terms and conditions as may be reasonable under the circumstances. The Administrator's determination shall be made on the record after notice and opportunity for hearing. If either party does not agree with said determination, he may, within thirty days, take an appeal to the Federal district court for the district in which he resides with respect to either the amount of the payment or the terms of payment, or both. Registration shall not be delayed pending the determination of reasonable compensation between the applicants, by the Administrator or by the court. [Emphasis supplied.]

within thirty days, take an appeal to the federal district court for the district in which he resides with respect to either the amount of the payment or terms of payment, or both. In no event shall the amount of payment determined by the court be less than that determined by the Administrator."

Under the 1975 amendment, the restrictions on the use which the Administrator may make of data submitted to him apply only to data first received by the agency on or after January 1, 1970. Neither the submitter's consent nor an offer of compensation by the second applicant is required with respect to data submitted prior to 1970.

The Issues

Plaintiff contends that the 1970 "cutoff date" is unconstitutional because it constitutes a governmental taking for a private purpose and without compensation, thereby depriving plaintiff of its property without due process of law. Plaintiff seeks an Order of this Court declaring that § 3(c)(1)(D), as amended, is unconstitutional insofar as it operates to allow the Administrator either (1) to consider plaintiff's pre-1970 "trade secret"[5] data in support of

[5] Throughout this opinion, the term "trade secret" will be utilized with reference to data protected by § 10(b) of FIFRA, that is, material which "contains or relates to trade secrets or commercial or financial information obtained from a person and privileged or confidential." 7 U.S.C. § 136h(b).

another firm's application for registration without plaintiff's consent, and (2) to consider plaintiff's pre-1970 non-"trade secret" data in support of another firm's application without an offer by the second firm to reasonably compensate plaintiff for producing the data relied upon. In effect, therefore, plaintiff asks this Court to excise from § 3(c)(1)(D) the phrase "on or after January 1, 1970," which was added by the 1975 amendment.

Defendant asserts that the 1975 amendment to § 3(c)(1)(D) is a valid exercise of Congress' power under the Constitution to regulate commerce and to make laws necessary and proper for that purpose. According to defendant, the section effects no taking of plaintiff's property. In addition, defendant asserts that even if a taking does result from the operation of § 3(c)(1)(D), it is a taking for public purposes authorized under the commerce clause, and plaintiff is not entitled to the relief it seeks herein for the reason that Congress has provided an adequate legal remedy under which plaintiff may obtain just compensation by bringing an action in the Court of Claims under the Tucker Act, 28 U.S.C. § 1491, as amended.

The issues before this Court, therefore, are:

(1) Does the 1970 cutoff date in § 3(c)(1)(D) of FIFRA effect a taking of plaintiff's property?

(2) If there is a taking, is it for a public purpose?

(3) If there is a taking for a public purpose without just compensation, does plaintiff have an adequate legal remedy under the Tucker Act?

The Merits

Plaintiff may succeed with its claim for injunctive relief against the operation of § 3(c)(1)(D) of FIFRA, as

amended,[6] only by a showing that (1) the 1970 cutoff date works a taking of plaintiff's property, and *either* (2) the taking is solely for private, rather than public, purposes,[7] *or* (3) there is no payment of just compensation to plaintiff for the property taken.[8] Absent a taking, of course, plaintiff is entitled to no relief. Even if a taking does result from the operation of the statute, a taking for a public purpose ordinarily would entitle plaintiff only to just compensation, rather than injunctive relief, for the property taken.[9] If there is a taking for a public purpose plaintiff might or might not have a remedy in the Court of Claims under the

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[6] There is no dispute between the parties as to the fact that the portion of § 3(c)(1)(D) which limits the applicability of the section to data submitted "on or after January 1, 1970" may be severed from the Act if this Court finds it constitutionally invalid. Section 26 of FIFRA of 1972, as amended, 7 U.S.C. § 136x, provides that "If any provision of this Act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this Act which can be given effect without regard to the invalid provision or application, and to this end the provisions of this Act are severable."

[7] Missouri P.R. Co. v. Nebraska, 163 U.S. 403 (1896); Citizens' Sav. & Loan Ass'n. of Topeka, 20 Wall (U.S.) 655, 22 L. Ed. 455 (1875); Cole v. City of LaGrange, 113 U.S. 1 (1885); Madisonville Traction Co. v. St. Bernard Mining Co., 196 U.S. 239 (1904); Panhandle Eastern Pipe Line Co. v. State Hwy. Comm'n., 294 U.S. 613 (1934), reh. den. 295 U.S. 768 (1934).

[8] Cole v. LaGrange, *supra;* Delaware, L. & W. R. Co. v. Morristown, 276 U.S. 182 (1927); Smyth v. Ames, 169 U.S. 466 (1897).

[9] Plaintiff asserts that money could not compensate for the taking of its proprietary information, and thus an injunction should issue according to traditional equitable principles because the legal remedy is inadequate. Plaintiff further contends that an injunction is appropriate here because the 1975 amendment to § 3(c)(1)(D) provides no compensation for the "taking" of plaintiff's data submitted prior to 1970. These issues need not be reached at this juncture.

Tucker Act.[10] Consequently, the first issue to be resolved is whether or not the 1970 cutoff date in § 3(c)(1)(D) works a taking of plaintiff's property.

I. The Taking Issue

Plaintiff does not contend that the alleged proprietary right to its property on which this claim is based arises from § 3(c)(1)(D) of FIFRA of 1972. The general rule is that powers derived wholly from a statute are extinguished by its repeal, Battaglia v. General Motors Corp., 169 F.2d 254 (2d Cir. 1948), cert. denied, 335 U.S. 887 (1948); Flanigan v. County of Sierra, 196 U.S. 553 (1905); thus, if plaintiff's alleged rights arose solely from FIFRA of 1972, they were extinguished in 1975 by the amendment to § 3(c)(1)(D).

[10] The Tucker Act, 28 U.S.C. § 1491, provides that "The Court of Claims shall have jurisdiction to render judgment upon any claim against the United States founded either upon the Constitution, or any Act of Congress, or any regulation of an executive department, or upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort. . . ." The Court of Claims does not administer injunctive or declaratory relief; its jurisdiction is limited to money claims against the United States government. United States v. King, 395 U.S. 1, 2 (1969); Richardson v. Morris, 9 U.S. 464 (1973). Plaintiff's Tucker Act claim, if any, would be founded "upon the Constitution." A serious question would exist, however, as to whether or not plaintiff would have a claim "against the United States," for although plaintiff alleges that a taking results from the act of an official of the United States pursuant to a statute enacted by Congress, plaintiff does not seek compensation from the United States. Rather, plaintiff seeks an order compelling third parties to pay compensation according to the scheme established under FIFRA of 1972, and the thrust of plaintiff's complaint is an attack upon the statute itself, which provides *no* compensation for data submitted prior to 1970, rather than an attempt to obtain a money judgment. Further, given the ongoing nature of the "taking" which plaintiff asserts, determination of the amount of compensation due would appear to be a continuing issue; for example, each consideration by the Administration of plaintiff's pre-1970 data in support of another's application for registration might be viewed as a separate "taking," necessitating repeated suits for money damages in the Court of Claims.

Instead, plaintiff asserts that § 3(c)(1)(D) as it originally was enacted in FIFRA of 1972 merely recognized and codified, plaintiff's rights as they previously existed.[11] According to plaintiff, its information, research, and test data constitute, and always have constituted, private "property" within the meaning of the Fifth Amendment, which prohibits the deprivation of "property" without due process of law, and provides that private property shall not be taken for public use without just compensation.

Defendant does not dispute that plaintiff's information, research, and test data may be considered "property," and this Court does not find otherwise. The word "property," as utilized in the constitutional sense long has been interpreted broadly, to embrace all valuable interests which a person may possess outside of himself—outside of life and liberty. See Campbell v. Holt, 115 U.S. 620, 630 (1885). In discussing the meaning of "property" as the term is used in the Fifth Amendment, the United States Supreme Court stated in United States v. General Motors Corp., 323 U.S. 373-377-78 (1945), as follows:

> It is conceivable that the . . . [term property] was used in its vulgar and untechnical sense of the physical thing with respect to which the citizen exercises rights recognized by law. On the other hand, it may have been employed in a more accurate sense to denote the group of rights inhering in the citizen's relation to the physical thing, as the right to possess, use and dispose of it. In point of fact, the construction given the phrase has been the latter. [Citation omitted.] When the sovereign exercises the power of eminent

[11] Plaintiff does not contend that the regulation of the use of its information, research, and test data embodied in § 3(c)(1)(D) of FIFRA of 1972 suffers from any constitutional infirmity.

> domain it substitutes itself in relation to the physical thing in question in place of him who formerly bore the relation to that thing, which we denominate ownership. In other words, it deals with what lawyers term the individual's 'interest' in the thing in question. That interest may comprise the group of rights for which the shorthand term is 'a fee simple' or it may be the interest known as an 'estate or tenancy for years,' as in the present instance. The constitutional provision is addressed to every sort of interest the citizen may possess.

As plaintiff points out, general recognition of the status of at least some of its information, research and test data as property also has been given by the federal government. The Attorney General has stated, with regard to the exemption from disclosure of matters within Section 3(e)(4) of the Freedom of Information Act, 5 U.S.C. § 552(b)(4) (that is, matters which are "trade secrets and commercial or financial information obtained from any person and privileged or confidential"):

> An important consideration should be noted as to formulae, designs, drawings, *research data,* etc., which though set forth on pieces of paper, are significant not as records but as *items of valuable property.* These may have been developed by or for the Government at great expense. There is no indication anywhere in the consideration of this legislation that the Congress intended, by subsection (c), to give away such property to every citizen or alien who is willing to pay the price of making a copy. Where similar property in private hands would be held in confidence, such property in the hands of the United States should be covered under exemption (e)(4). [5 U.S.C. § 552(b)(4)] [Emphasis supplied.]

Department of Justice, Attorney General's Memorandum on the Public Information Section of the Administrative

Procedure Act, "A Memorandum for the Executive Departments and Agencies concerning Section 3 of the Administrative Procedure Act as revised effective July 4, 1967" (June 1967), p. 34.

That plaintiff's data, or a portion thereof, may constitute "property," however, does not answer the question of whether defendant's actions pursuant to § 3(c)(1)(D) as amended in 1975 constitute a "taking" of data submitted by plaintiff prior to 1970. In other words, has plaintiff been unconstitutionally *deprived* of its "property"? Plaintiff claims the right to prevent others from use of its pre-1970 data which is trade secret, and the right to compensation for the use of its pre-1970 data which is not trade secret, and contends that the deprivation of that interest in its "property" violates the Fifth Amendment. This Court finds that it does not.

It is true that all great powers of Congress, including the commerce power upon which FIFRA is founded, are subject to the Fifth Amendment. Louisville Joint Stock Land Bank v. Radford, 295 U.S. 555, 589 (1935); see Gibbons v. Ogden, 9 Wheat. 1, 6 L. Ed. 23 (1824). It further is true, as plaintiff asserts, that a point exists where regulation may be so severe as to be a taking. See, e.g., Pennsylvania Coal Co. v. Mahon, 260 U.S. 383, 413 (1922). If the United States eliminates or substantially impairs an owner's use of his property, or requires him to convey it, there is a taking, which gives rise to a claim under the Constitution, whether or not the United States so intended. United States v. Causby, 328 U.S. 256 (1946); In re Penn Central Transp. Co., 384 F. Supp. 895, 936 (Special Court 1974).

But due process of law never has meant complete absence of restraint on property. The constitutional right of property is not an absolute right. It is subject to such reasonable restraints and regulations as Congress, under the governing and controlling power vested in it by the Constitution, may think necessary and expedient. Whether

there has been a denial of due process must be determined by taking into account the purposes of regulation and its effect upon the rights asserted, and all of the circumstances which may render the regulation appropriate to the nature of the case. Acts done in the proper exercise of governmental powers and not directly encroaching upon private property, though their consequences may in a measure impair its use, do not constitute a "taking" in a constitutional sense. Chicago, B. & A. R. Co. v. Illinois, 200 U.S. 561 (1905).

Thus, the takings clause ordinarily is not offended by regulation of uses,[12] even though the regulation may severely or even drastically affect the value of the property. See Goldblatt v. Town of Hempstead, 369 U.S. 590, 594 (1962); City of St. Paul v. Chicago, St. P. M. & O. Ry. Co., 413 F. 2d 762, 767 (8th Cir. 1969). A particular use of property may be regulated or forbidden without constituting a taking. Even if the highest-value use of property is forbidden by regulation, no taking has occurred so long as

[12] "Laws and ordinances relating to the comfort, health, convenience, good order, and general welfare of the inhabitants are comprehensively styled 'Police Laws or Regulations.' It is well settled that laws and regulations of this character, though they may disturb the enjoyment of individual rights, are not unconstitutional, though no provision is made for compensation for such disturbances. They do not appropriate private property for public use, but simply regulate its use and enjoyment by the owner. If he suffers injury it is either *damnum absque injuria*, or, in the theory of the law, he is compensated for it by sharing in the general benefits which the regulations are intended and calculated to secure. The citizen owns his property absolutely, it is true; it cannot be taken from him for any private use whatever, without his consent, nor can it be taken for any public use without compensation; still he owns it subject to this restriction, namely, that it must be so used as not unreasonably to injure others, and that the sovereign authority may, by police regulations, so direct the use of it that it shall not prove pernicious to his neighbors, or the citizens generally." L'Hote v. New Orleans, 177 U.S. 584, 599 (1899).

other lower-valued, reasonable uses are left to the property owner. Goldblatt v. Town of Hempstead, supra, 369 U.S. at 592; South Terminal Corp. v. EPA, 504 F. 2d 646, 678 (1st Cir. 1974); Sixth Camden Corp. v. Evesham Township, 420 F. Supp. 709 (D. N.J. 1976).

The test of whether a particular enactment falls within the valid exercise of Congressional power so as not to run afoul of the Fifth Amendment is one of reasonableness. See City of St. Paul & Chicago, St. P. M. & O. Ry. Co., supra, 413 F. 2d at 767. As long as the means chosen by Congress are reasonably appropriate to the legitimate Congressional purpose for which they are adopted, traditional private property rights must yield where their exercise interferes with a Congressional proscription pursuant to a legitimate power of Congress. See Atlanta v. Nat'l. Bituminous Coal Comm'n., 26 F. Supp. 606-610 (D. D.C. 1939), aff'd 308 U.S. 517 (1939); United States v. Carolene Products Co., 304 U.S. 144, 148-49 (1938); United States v. California, 297 U.S. 175, 184-85 (1936).

The Congressional power under which the 1975 amendments to FIFRA were enacted is the commerce power.[13] In the exercise of its constitutional jurisdiction over interstate commerce, Congress has authority, integral to the exercise of its commerce power, which is analogous to the police power of the states. See Lamm v. Volpe, 449 F. 2d 1202, 1203 (1971), cert. denied, 405 U.S. 1075 (1971); F.P.C. v. Natural Gas Pipeline Co., 315 U.S. 575, 582 (1942); South Terminal Corp. v. EPA supra, 504 F. 2d at 677; Oklahoma City v. Sanders, 94 F. 2d 323, 327 (10th Cir. 1938); Speert v. Morganthau, 116 F. 2d 301, 305 (D.C. Cir. 1940); Clover Leaf Butter Co. v. Patterson, 315 U.S. 148, 163 (1942). Thus Congress may prescribe police regula-

[13] Art. I, Sec. 8, cl. 3 of the Constitution of the United States confers power on Congress "To regulate Commerce . . . among the several States . . . ."

tions to effectuate the regulation of interstate commerce, thereby obtaining results reasonably conceived to benefit public health and/or welfare. See Cloverleaf Butter Co. v. Patterson, supra, 315 U.S. at 163; United States v. Darby, 312 U.S. 100, 115 (1940); McCray v. United States, 195 U.S. 27, 55 (1903); Veazie Bank v. Fenno, 8 Wall. (U.S.) 533, 19 L. Ed. 482 (1869); see also Carolene Products Co., 304 U.S. 144 (1938); Cleveland v. United States, 329 U.S. 14, 19 (1946); Berman v. Parker, 348 U.S. 26, 32 (1954); Village of Belle Terre v. Boras, 416 U.S. 1, 9 (1974).

Pursuant to this authority to regulate commerce, Congress enacted § 3 of FIFRA, as amended, which requires the registration of pesticides before entering commerce. § 3 (c)(1) establishes procedures for conducting that registration program, by authorizing the Administrator of the EPA to require the submission of data in support of registration and instructing the Administrator regarding the use to be made of that data. The scheme established in § 3 implicitly recognizes that data submitted by one applicant has potential relevance to applications which may be submitted by others in order to register similar products. At the same time, the regulatory scheme recognizes that the expenditure of the first applicant in generating the data submitted in support of its registration is entitled to a certain amount of protection.

Contrary to plaintiff's assertions, however, neither the legislative history nor the plain language of § 3 indicate that in adopting its regulatory scheme Congress was concerned with ensuring maintenance of competitive commercial positions of the original submitters of data. Rather, the Congressional concern in adopting the original § 3(c)(1)(D) in 1972 was for maximum allocation of resources in the public interest—preventing the necessity of costly duplicative testing in order to produce governmentally-mandated data without thereby casting the entire burden upon the

party first to meet the government requirements by producing and submitting that data:

> As concerns use of such data in *support* of *another* application without permission of the originator of the test data, however, it is recognized that in certain circumstances it might be unfair or inequitable for government regulation to require a substantial testing expense to be borne by the first applicant, with subsequent applicants thereby gaining a free ride. On the other hand, unnecessary duplicative testing would represent a wasteful, time-consuming, and costly process resulting in a substantial misallocation of resources. Thus it was decided that fairness and equity require a sharing of the governmentally required cost of producing the test data used in support of an application by an applicant other than the originator of such data. S. Rep. No. 92-838, 92nd Cong., 2d Sess., pt. 2, 72-73 (1972). [Emphasis in original.]

The legislative history reflects that the underlying concern was to assure public safety without inhibiting—indeed, while encouraging—research in pesticide production.[14]

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[14] The Senate Committee on Agriculture and Forestry expressed a similar view:

"In the Committee's view, this resolution best serves the primary purpose for inclusion of section 3(c)(1)(D) in the Act. As developed more fully in the Committee reports accompanying the 1972 amendments, this provision was added to provide for equitable sharing among industry members of the cost of producing data necessary to obtain or continue a registration under the Act. It was apparent that new data requirements would be imposed by the Administrator, and that satisfaction of these data requirements would involve considerable expense. The provision reflects the sound conclusion that all persons who wish to profit from the fruits of this expense should have to bear a fair share of the financial burden. In view of its purpose, it would seem sound not to require cost sharing with respect to "old data." To make the provision applicable to "old data" could create a windfall for producers of this data since such data was prepared without any

The legislative history further reveals that the 1975 amendment to § 3(c)(1)(D) was intended to "clarify the intent of the [1972] law" in view of the fact that "the question of data compensation was being litigated in several courts and . . . this litigation was holding up the registration of pesticides by the EPA." Cong. Rec., S., Nov. 19, 1975, p. 20460 (remarks of Senator Allen).[15] In adopting the 1975 amendment, Congress obviously was concerned with the possible adverse effects resulting from the uncertainty of coverage of the 1972 law [16] as well as with the effect on competition in the industry if all data were included within the limitations of § 3(c)(1)(D).[17] The history

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reasonable expectation that the law would require sharing of the costs of production." H.R. Rep. No. 94-668, 94th Cong., 1st Sess. (1975) at 2.

[15] The Senate Committee on Agriculture and Forestry wrote a detailed explanation of its purposes in amending § 3(c)(1)(D):

> "As noted above, it became apparent at the hearings that a number of important problems had arisen during the implementation of this section. While litigation is in progress which may resolve some of the problems, the time required to resolve these matters in the courts would needlessly prolong uncertainty, and unnecessarily hobble the efforts of EPA to implement the Act. Accordingly, it was determined to be in the public interest to remove any doubt concerning the proper resolution of some of the key issues by amendments to section 3(c)(1)(D) of the statute . . . ."

Id.

[16] See Hearings before the Subcommittee on Agricultural Research and General Legislation of the Committee on Agriculture and Forestry, United States Senate, 94th Cong., 1st Sess., on H.R. 8841, and House of Representatives Report No. 94-497, Extension and Amendment of the Federal Insecticide, Fungicide and Rodenticide Act, as amended, and particularly the supplemental views thereto of Hon. Keith G. Sebelius, Hon. Charles Thone, and Hon. Jerry Litton.

[17] See H.R. Rep. No. 94-497, 94th Cong., 1st Sess. (1975) at 25; 121 Cong. Rec. H. 9582 (remarks of Congressman Sebelius, Oct. 3, 1975); 121 Cong. Rec. S. 20461 (remarks of Senator Hart, Nov. 10, 1975).

specifically reflects Congressional consideration regarding the reasonableness of *not* requiring cost sharing with respect to "old data," that is, data submitted prior to 1970, for the reason that it would create a "windfall" for producers of the data.[18] In reaching the 1970 cutoff date, as opposed to applying the § 3(c)(1)(D) provisions to all data or only to data submitted after October 21, 1972--the effective date of the Act, it appears that the dominant Congressional purpose was to reach a reasonable compromise between the competing interests of those seeking to register pesticide products and thereby to end the problems delaying effective implementation of FIFRA. See, e.g., Hearings on H.R. 8841 Before the Subcommittee on Agricultural Research and General Legislation of the Senate Committee on Agriculture and Forestry, 94th Cong., 1st Sess., at 151 (1975).

This Court finds the Congressional objectives embodied in the 1975 amendment to § 3(c)(1)(D) to be legitimate subjects of Congressional concern and properly within the Congressional authority to regulate commerce. We further find, for the reasons set forth below, that § 3(c)(1)(D), as amended, constitutes a means reasonably related to the legitimate Congressional purposes for which it was enacted.

Plaintiff correctly asserts that "the deprivation of the former owner rather than the accretion of a right or interest to the sovereign constitutes the taking." United States v. General Motors Corp., *supra*, 323 U.S. at 378; United States v. Miller, 317 U.S. 369 (1943). Under the circumstances presented herein, however, this Court has difficulty ascertaining any real deprivation to plaintiff. Plaintiff produces data which it is required to produce under government regulation which plaintiff does not contest. Plaintiff voluntarily submits that data to the Administrator of the EPA, and it is used by the Administrator in

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[18] S. Rep. No. 94-452, 94th Cong., 1st Sess. 1975) at 10-11.

support of plaintiff's application for a pesticide registration. The data remains in the agency's files, where it is used to support other applications for the same or similar products which plaintiff may make in the future. Plaintiff retains a copy of its data to use for its own purposes. The data is not transferred by the agency to any third parties.

Plaintiff has neither stated nor shown that its own actual use of its data has been diminished in any respect; plaintiff may continue to use its "property" as it has in the past. The statute subjects that "property" to no burden, casts no duty or restraint upon it, and only in an indirect way, if any, can it be said that its pecuniary value is affected by the statute. All other accoutrements of ownership remain with plaintiff. Thus, the sole "property interest" which plaintiff claims is diminished by the 1970 cutoff date of § 3(c)(1)(D) is an alleged right to *exclusively* use the data; that is, to prevent others from using it. Defendant responds that plaintiff does not possess such a right, under the Constitution or the common law.[19] Whether

[19] Common law protection of trade secrets, of course, may be modified by Congress. It may well be argued, as defendant and amicus curiae, the Pesticide Formulators Association, argue herein, that information, research, and test data which is not patentable simply is not protectable under the Constitution. Article I, Section 8, clause 8 of the United States Constitution empowers Congress "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries." Pursuant to this constitutional authority, Congress enacted in 1790 the first federal patent and copyright law, 1 Stat. 109, and ever since that time has fixed the conditions upon which patents and copyrights shall be granted.

Patents are meant to encourage invention by rewarding the inventor with the right, limited to a term of years fixed by the patent, to exclude others from use of this invention. Sears Roebuck Co. v. Stiffel Co., 376 U.S. 225, 230 (1964). During that time, no one may make, use, or sell the patented product without the patentee's authority. 35 U.S.C. § 271. When the time covered by the patent expires, however, the right to exclusive use of the patented product passes to the public. Id.; Kellogg Co. v. National Biscuit

or not plaintiff possesses a right to exclusive use of its property within the bundle of rights which make up property ownership, this Court finds that the interference of § 3(c)(1)(D) with that alleged "right" does not rise to the level of a taking of plaintiff's property. This Court simply cannot reasonably conclude that the Administrator's mere consideration of data which is required by and which he already possesses pursuant to a lawful regulatory scheme in order to determine the registrability of a pesticide product—that is, to assure its efficacy and safety prior to its transportation in interstate commerce—without disclosing the contents of that data to any other person and without diminishing in any manner the originator's use of its own data violates the Fifth Amendment to the United States Constitution.[20]

Co., 305 U.S. 111, 120-122 (1938). An unpatented article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. Sears Roebuck Co. v. Stiffel Co., *supra*, 376 U.S. at 231. Sharing in the goodwill of an article unprotected by patent or trademark is the exercise of a right possessed by all—and in the free exchange of which the consuming public is deeply interested. Kellogg Co. v. National Biscuit Co., *supra*, 305 U.S. at 122.

Because our founding fathers felt it necessary to insert into the Constitution a specific provision for obtaining a limited exclusive use of property, a persuasive argument may be made that no such general right exists. It has long been held, for example, that the holder of a patent has no exclusive right of property in his invention except under and by virtue of the statutes securing it to him, and according to the regulations and restrictions of those statutes. Dable Grain Shovel Co. v. Flint, 137 U.S. 41, 43 (1890).

[20] § 3(c)(1)(D) does not, of course, require disclosure of any of plaintiff's data to any other parties. Moreover, the United States Supreme Court has held that a producer's interest in the secrecy of its proprietary information, even including its secret formula, is subject to the right of the state to exercise its police power and to promote fair dealing. Corn Products Refining Co. v. Eddy, 249 U.S. 427, 431 (1918); Nat'l. Fertilizer Ass'n. v. Bradley, 301 U.S. 178, 182 (1936). In oral argument, plaintiff's counsel conceded

The statutory scheme established in § 3(c)(1)(D) appears both reasonable and equitable. Although, as government counsel candidly commented in oral argument, the 1970 date may have been selected by Congress because it "has the virtue of being a round number," [21] it does represent a reasonable compromise between competing interests in the pesticide field. It requires that reasonable compensation be paid to those who originate data submitted on or after January 1, 1970, in order to spread the burden of that cost throughout the industry, and provides producers the privilege of preventing consideration of their "trade secret" data submitted after the 1970 cutoff date. Thus, at the time of its passage, the statute granted producers a period of five years' protection for "new data"; that period of protection, of course, continues to increase with the passage of time from January 1, 1970. At the same time, the statute recognizes the lesser need for protection of "old data" as well as the benefit in cost-saving to the consumer from non-protection of data submitted prior to 1970. As defendant has pointed out, the logical result of a "no limits" protection of plaintiff's data would be increased prices for consumers and claims that registrations long-since issued now are invalid, thereby subjecting the registrations of those products to termination and causing withdrawal from the marketplace of useful and needed pesticide products despite the fact that they were properly registered under the provisions of FIFRA prior to 1972. Clearly, restraining the operation of § 3(c)(1)(D) in the manner urged by plaintiff would work injury on others in greater measure than the injury allegedly worked on plaintiff by its operation. In addition, granting plaintiff the

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that plaintiff's "right" to maintain its property exclusively is not absolute when he stated that "clearly there are circumstances under which something might have to be divulged, and I refer to proceedings in court and the like." Transcript, p. 29.

[21] Transcript, at 54.

right to compensation for all data regardless of submission, would create a "windfall" for plaintiff.[22]

Nor is § 3(c)(1)(D) invalid because it permits the Administrator to consider plaintiff's pre-1970 data in support of others' applications for registration and thereby "benefits" others without compensation to plaintiff. The objective of the statute clearly is not private gain. The statute reasonably serves a legitimate public purpose, and it is well-settled that incidental benefits to third parties in the course of obtaining that primary objective in the public interest is not impermissible. Joslin Mfg. Co. v. Providence,

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[22] As explained above, plaintiff has no *right* to compensation for that data. Neither, under the most credible view of the facts, did plaintiff have an expectation of compensation for its pre-1970 data. Under FIFRA prior to 1972, the Administrator of the EPA was not prohibited from considering one firm's data to support another firm's application, and did so routinely. See 7 U.S.C. § 135b(a) (1970); Amchem Products, Inc. v. GAP Corp., 391 F. Supp. 124, 128 (N.D.Ga. 1975). Contrary to plaintiff's assertions, the fact that the then-effective Department of Agriculture regulations, 7 C.F.R. § 1.4(b) (Jan. 1, 1967), made the data "administratively confidential" and "not subject to examination *except in the performance of official duties*" did not prohibit the practice, or create a reasonable expectation on plaintiff's part. It must be remembered that *confidentiality* is in no way related to the issue presented herein; rather, the issue involves precisely the Administrator's consideration of data in the performance of his official duties.

Further, despite plaintiff's contention that it had no knowledge of the practice, the practice was widely-enough known in the industry for the National Agricultural Chemical Association to have taken a position in Congress in opposition to it in 1972: "Under the present law registration information submitted to the Administrator has not routinely been made available for public inspection. *Such information has, however, as a matter of practice but without statutory authority, been considered by the Administrator to support the registration of the same or a similar product by another registrant . . . .*" [Emphasis supplied.] "Statement Relative to Exclusive Use of Data Provision of H.R. 10729," contained in Report of Senate Agriculture and Forestry Committee, S.Rep. 92-838, Part 2, at 18-19 (July 1972).

262 U.S. 668, 674 (1922); Hendersonville Light & P. Co. v. Blue Ridge Interurban R. Co., 243 U.S. 563, 570 (1916); United States v. Chandler-Dunbar W. Power Co., 229 U.S. 53, 74 (1912); Kaukauna Water-Power Co. v. Green Bay & M. Canal Co., 142 U.S. 254 (1891); see Berman v. Parker, *supra,* 348 U.S. at 33. See generally 26 Am. Jur. 2d Eminent Domain Secs. 32, 35 (1966); 29A C.J.S. Eminent Domain § 31(c) (1965); Anno., 53 A.L.R. 9, 12 (1928).

II. Conclusion

In conclusion, this Court finds that § 3(c)(1)(D) of FIFRA as amended in 1975 does not divest plaintiff of a constitutional right in violation of the Fifth Amendment to the United States Constitution. Rather, the statute grants plaintiff rights which prior to FIFRA of 1972 it did not possess.

For all the foregoing reasons, it is hereby

Ordered that plaintiff's request for injunction of the operation of § 3(c)(1)(D) of FIFRA, as amended, 7 U.S.C. § 136a(c)(1)(D) (1975), be, and it is hereby, denied.

/s/ Floyd R. Gibson
Chief Judge, United States Court of Appeals for the Eighth Circuit

/s/ William H. Becker
Senior United States District Judge

/s/ Elmo B. Hunter
United States District Judge

APPENDIX B

Judgment of the United States District Court for the Western District of Missouri, Western Division, Entered March 28, 1978

APPENDIX B

Judgment of the United States District Court for the Western District of Missouri, Western Division, Entered March 28, 1978

(Caption Omitted in Printing)

(Filed March 28, 1978)

Judgment

This action came on for trial before the Court, Honorable Elmo B. Hunter, Chief Judge Floyd R. Gibson and Sr. Judge William H. Becker, United States District Judge, presiding, and the issues having been duly tried and a decision having been duly rendered,

It is Ordered and Adjudged that plaintiff's request for injunction of the operation of § 3(c)(1)(D) of FIFRA, as amended, 7 U.S.C. § 136a(c)(1)(D) (1975), be, and it is hereby, denied.

Dated at Kansas City, Missouri, this 28th day of March, 1978.

/s/ Thomas S. DeLuccie
Clerk of Court

APPENDIX C

Notice of Appeal to the Supreme Court of the United States.

Filed May 26, 1978

APPENDIX C

Notice of Appeal to the Supreme Court of the United States.

Filed May 26, 1978

(Caption Omitted in Printing)

(Filed May 26, 1978)

Notice of Appeal to the Supreme Court of the United States

Notice is hereby given that Mobay Chemical Corporation, the plaintiff above named, hereby appeals to the Supreme Court of the United States from the judgment of the Three Judge District Court entered in this action on March 28, 1978.

This appeal is taken under 28 U.S.C. §§ 1253 and 2282.

Lathrop, Koontz, Righter,
Clagett, Parker & Norquist

/s/ Joseph E. Stevens, Jr.
Joseph E. Stevens, Jr.

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APPENDIX D

Order of the Supreme Court of the United States Extending Time for Docketing This Appeal, Entered July 10, 1978

APPENDIX D

Order of the Supreme Court of the United States Extending Time for Docketing This Appeal, Entered July 10, 1978

SUPREME COURT OF THE UNITED STATES

No. A-30

MOBAY CHEMICAL CORPORATION, Appellant,

v.

DOUGLAS M. COSTLE, ADMINISTRATOR, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Order

UPON CONSIDERATION of the application of counsel for the appellant,

IT IS ORDERED that the time for docketing an appeal in the above-entitled cause be, and the same is hereby, extended to and including August 24, 1978.

/s/ HARRY A. BLACKMUN
Associate Justice of the Supreme Court of the United States

Dated this 10th day of July, 1978.

No. 78-308

In the Supreme Court of the United States

OCTOBER TERM, 1978

MOBAY CHEMICAL CORPORATION, APPELLANT

v.

DOUGLAS COSTLE, ADMINISTRATOR, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MISSOURI

MOTION TO AFFIRM

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In the Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-308

MOBAY CHEMICAL CORPORATION, APPELLANT

v.

DOUGLAS COSTLE, ADMINISTRATOR, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MISSOURI

MOTION TO AFFIRM

The Solicitor General, on behalf of the Administrator of the Environmental Protection Agency, moves that the judgment of the district court be affirmed.

OPINION BELOW

The opinion and order of the district court (J.S. App. 1a-22a) are not yet reported.

JURISDICTION

The judgment of the district court was entered on March 28, 1978 (J.S. App. 23a). The notice of appeal was filed on May 26, 1978 (J.S. App. 24a). On July 10, 1978, Mr. Justice Blackmun extended the time for docketing the appeal to August 24, 1978 (J.S. App. 25a). The jurisdictional statement was filed on August 23, 1978. The

jurisdiction of this Court is invoked under 28 U.S.C. 1253 and 2282, as they were in effect when this action was commenced in the district court.[1] Jurisdictional questions are discussed in notes 7 and 14, *infra*.

QUESTION PRESENTED

Whether Section 3(c)(1)(D) of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 7 U.S.C. 136a (c)(1)(D), works a governmental taking of property for a private purpose or without just compensation, in violation of the Fifth Amendment, by permitting the Environmental Protection Agency to use pre-1970 pesticide registration application data in evaluating subsequent applications by other manufacturers without compensation to the applicant who submitted the data.

STATEMENT

The Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. 136 *et seq.* (FIFRA), requires registration of pesticides sold or shipped in interstate commerce and prescribes standards and procedures for such registration. Among other things, Section 3 of the Act, 7 U.S.C. 136a, authorizes the Administrator of the Environmental Protection Agency (EPA) to require that an applicant for registration submit data supporting the safety and efficacy of the product sought to be registered. Because data submitted by one applicant are often relevant to another manufacturer's registration application for a similar product, Congress in 1972 added to FIFRA Section 3(c)(1)(D), 7 U.S.C. 136a(c)(1)(D), which imposed certain

[1]As appellant notes (J.S. 2 n.1), the amended complaint was filed on April 23, 1976, prior to the repeal of 28 U.S.C. 2282. The Act repealing Section 2282 specified that the repeal would not affect actions already commenced. Act of August 12, 1976, Pub. L. No. 94-381, 90 Stat. 1119.

restrictions on the Administrator's use of such data.[2] Specifically, any submitted data that are protected from public disclosure by Section 10 of FIFRA, 7 U.S.C. 136h ("trade secret" data), can be used by EPA in support of another firm's application only with the data submitter's consent. Data other than "trade secret" data can be used by EPA in support of another firm's application without the submitter's consent, but only if the second firm offers to pay reasonable compensation to the submitter.[3]

Section 3(c)(1)(D) as it was enacted in 1972, however, did not clearly indicate whether the restrictions on EPA's use of data applied to all data that had ever been submitted to EPA (or its predecessor, the Department of Agriculture),[4] or only to data first submitted to EPA after enactment of the 1972 FIFRA revision. To resolve that question, which had spawned litigation, Congress in 1975 amended Section 3(c)(1)(D) to provide that the restrictions of that Section apply to data submitted on or after January 1, 1970, but not to data submitted before that date. Pub. L. No. 94-140, 89 Stat. 755. Thus, neither the submitter's

[2]Prior to the 1972 revision, FIFRA authorized the Administrator to request from the applicant a full report of the research on the pesticide sought to be registered. 7 U.S.C. (1970) 135b(a). There were no statutory restrictions on the Administrator's consideration of one firm's data to support another firm's application, whether or not the firm submitting the data had consented.

The Department of Agriculture, which enforced FIFRA from its enactment in 1947 until 1970, "routinely" and "freely" considered data submitted under FIFRA by one firm in support of other firms' applications. *Amchem Products, Inc.* v. *GAF Corp.*, 391 F. Supp. 124, 128 n.7 (N.D. Ga. 1975), vacated, 529 F. 2d 1297 (5th Cir. 1976), reinstated on remand, 422 F. Supp. 390 (N.D. Ga. 1976), appeal docketed, No. 76-3801 (5th Cir. 1977); see J.S. App. 21a n.22.

[3]If the two firms cannot agree on what constitutes "reasonable compensation," the Administrator is authorized to fix such compensation, subject to judicial review. 7 U.S.C. 136a(c)(1)(D).

[4]See note 2, *supra*.

consent nor an offer by the second applicant to pay reasonable compensation is required under the Act for EPA's consideration of data submitted prior to 1970. (The pertinent provisions of Section 3(c)(1)(D), as amended, are set out at J.S. 3.)[5]

Appellant challenged the Act, insofar as it applied to pre-1970 data, by amending a complaint then pending in the United States District Court for the Western District of Missouri and requesting a three-judge court.[6] Appellant sought an injunction against EPA's further enforcement of Section 3(c)(1)(D) with respect to pre-1970 data on the ground that EPA's consideration of appellant's pre-1970 data in support of other applications, without compensation to appellant, would violate appellant's Fifth Amendment rights. The three-judge court denied the injunction, holding that there had been no "taking" of appellant's property and, therefore, no constitutional violation:

> [T]his Court finds that the interference of § 3(c)(1)(D) with that alleged "right" [of exclusive use of the data] does not rise to the level of a taking of property. This Court simply cannot reasonably conclude that the Administrator's mere consideration of data which is required by and which he already possesses pursuant to a lawful regulatory scheme in order to determine the registrability of a pesticide product—that is, to assure its efficacy and safety prior to its transportation in interstate commerce—without disclosing the contents of that data to any other person and without diminishing in any manner the originator's use of its own data violates the Fifth Amendment to the United States Constitution.

J.S. App. 19a, footnote omitted.[7]

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[5]The Federal Pesticide Act of 1978, Pub. L. No. 95-396, 92 Stat. 819, made certain changes in the pertinent provisions of FIFRA. See Section 2(a) of the Act (92 Stat. 820-822), amending Section 3(c)(1)(D) of FIFRA. On one hand, the amendment creates a period of exclusive use for data submitted in support of pesticides that are registered after the 1978 Act and that contain a new active ingredient, and thus bars EPA from considering such data in support of another application, without the submitter's consent, for ten years. On the other hand, the amendment terminates the period during which compensation must be paid for EPA's use of post-1969 data, providing that the use of such data will be compensable only for 15 years from the date of submission. See S. Conf. Rep. No. 95-1188, 95th Cong., 2d Sess. 30 (1978).

[6]In its original complaint, appellant raised several non-constitutional claims that EPA was violating various provisions of FIFRA. These claims were heard and decided by a single-judge district court, which granted relief on some claims but not on others.

Mobay Chemical Corp. v. *Costle*, 447 F. Supp. 811 (W.D. Mo. 1978). See J.S. App. 1a n.1. Both parties appealed from this decision, but on joint motion by the parties the Eighth Circuit dismissed the appeals with prejudice. *Mobay Chemical Corp.* v. *Costle*, Nos. 78-1356 and 78-1402 (8th Cir. July 6, 1978).

[7]Because it found that there was no "taking," the court did not decide whether there was a public purpose for the alleged taking or whether appellant had an adequate remedy at law under the Tucker Act, 28 U.S.C. 1491, for any taking (J.S. App. 6a, 8a n.10, 10, 17a-19a).

Although the question apparently was not raised below and has not been noted by appellant here, it might be suggested that the three-judge district court was improperly convened under the former 28 U.S.C. 2282 and that this Court therefore lacks jurisdiction under 28 ~~U.S.C.~~ U.S.C. 1253 to entertain this appeal. See *Norton* v. *Mathews*, 427 U.S. 524, 529 (1976). The argument would be (see also note 14, *infra*) that appellant's constitutional attack in its amended complaint was not directed against the 1975 amendment to FIFRA or against any other Act of Congress, but solely against administrative action by EPA. The challenged action of EPA in considering appellant's pre-1970 data in support of applications of other manufacturers without compensation to appellant existed before the 1975 amendment; it was, in fact, challenged in appellant's original complaint filed prior to that amendment, see note 6, *supra*. The action by EPA with respect to pre-1970 data is not directed or compelled by the 1975 amendment, which provides in terms only that EPA may *not* take such action with respect to data submitted on or after January 1, 1970 (see J.S. 3). Where a constitutional attack is directed solely against administrative

ARGUMENT

The decision of the district court is correct, and appellant presents no question warranting plenary review by this Court.

Appellant claims that its property in its data is taken because, according to appellant, Section 3(c)(1)(D) of FIFRA "makes research and test data * * * freely available for the benefit of other private companies" and thus "takes" the "exclusive use" of the property from its owner (J.S. 14). But as the district court correctly noted (J.S. App. 18a), "The data is not transferred by [EPA] to any third parties." The data are "available" only to EPA

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action and does not implicate an Act of Congress, the convening of a three-judge court is improper. *Jameson & Co.* v. *Morgenthau*, 307 U.S. 171 (1939); *Sardino* v. *Federal Reserve Bank of New York*, 361 F. 2d 106, 113-116 (2d Cir.), cert. denied, 385 U.S. 898 (1966); *Woodward* v. *Rogers*, 344 F. Supp. 974, 977-979 (D.D.C. 1972), aff'd, 486 F. 2d 1317 (D.C. Cir. 1973); *Grutka* v. *NLRB*, 409 F. Supp. 133 (N.D. Ind. 1976).

In our view, however, these authorities are inapplicable here and the three-judge court was properly convened. Although FIFRA, as amended in 1975, does not direct or compel the challenged EPA practice, it addresses that practice specifically and plainly permits and ratifies it so far as pre-1970 data are concerned. The House Committee Conference Report specifically stated that the cost-sharing provisions of the Act were not being made applicable to pre-1970 data because to do so "could create a windfall." H.R. Conf. Rep. No. 94-668, 94th Cong., 1st Sess. 2 (1975), quoted at J.S. App. 15a n.14. This is a case where "the executive or administrative action complained of is so plainly directed or permitted by the statute that no fair construction could hold otherwise * * *, [so that] the constitutionality of the statute is necessarily drawn in question." *Sardino* v. *Federal Reserve Bank of New York, supra*, 361 F. 2d at 115. Accord, *Flast* v. *Cohen*, 392 U.S. 83, 88-91 & n.3 (1968); *Green* v. *Kennedy*, 309 F. Supp. 1127, 1131-1132 (D.D.C. 1970) (three-judge court), appeal dismissed, 400 U.S. 986 (1971).

(and, of course, to appellant). Whatever benefit may accrue to other parties from EPA's use of the data "does not rise to the level of a taking of [appellant's] property" (J.S. App. 19a).

As this Court recently stated in *Penn Central Transportation Co.* v. *New York City*, No. 77-444 (June 26, 1978), slip op. 24:

> "Taking" jurisprudence does not divide a single parcel into discrete segments and attempt to determine whether rights in a particular segment have been entirely abrogated. In deciding whether a particular governmental action has effected a taking, this Court focuses rather both on the character of the action and on the nature and extent of the interference with rights in the parcel as a whole * * *.

Although the district court did not have the benefit of *Penn Central*, it analyzed appellant's claim in the proper way: "Whether there has been a denial of due process must be determined by taking into account the purposes of regulation and its effect upon the rights asserted, and all of the circumstances which may render the regulation appropriate to the nature of the case" (J.S. App. 11a-12a).[8]

Appellant seeks to avoid this analysis by claiming that there is, for present purposes, a decisive difference between tangible property and intellectual property (J.S.

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[8]As in *Penn Central* (slip op. 28), one cannot conclude in this case that appellant "[has] in no sense been benefited by" the law it seeks to overturn. Under that law, EPA may consider, in support of registration applications filed by appellant, pre-1970 data submitted by other firms. The law thus secures to appellant, and to all other pesticide manufacturers who submit data to EPA, "an average reciprocity of advantage." *Pennsylvania Coal Co.* v. *Mahon*, 260 U.S. 393, 415 (1922), quoted in *Penn Central, supra*, dissenting opinion of Mr. Justice Rehnquist, slip op. 9-10.

15). But the nature of the property notwithstanding, appellant does not dispute the district court's finding that the statutory scheme of FIFRA does not "diminish[] in any manner the originator's use of its own data" (J.S. App. 19a). Appellant did not surrender its pre-1970 data to EPA, much less to competitors; it simply provided EPA with a copy of it. Appellant contends, however, that "[t]he value of intellectual property lies in its *exclusive* use by its owner" (J.S. 15; emphasis in original). If this extravagant claim were true, the research and test data that appellant supplied to EPA before 1970 would have become worthless to appellant. But this is admittedly not so. Appellant stipulated that such data, after being submitted to EPA, "are used by [appellant] both in the development of additional formulations for registered products and in the development of new products which are chemically related to products previously developed" (J.S. 10-11); cf. *Penn Central Transportation Co.* v. *New York City*, *supra*, slip op. 30.[9]

[9]Appellant's claim about the exclusive use of intellectual property stands on its head what many have thought to be a critical distinction between intellectual and tangible property. See *International News Service* v. *Associated Press*, 248 U.S. 215, 250-251 (1918) (Brandeis, J., dissenting); *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230-231 (1964); *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 120-122 (1938). If appellant's claim is valid, it is not clear why an "owner" of data, information, ideas, or other intellectual property cannot successfully sue anyone who "uses" the property without permission. But there is no such cause of action, even when the property is copyrighted. *Fortnightly Corp.* v. *United Artists Television, Inc.*, 392 U.S. 390, 393-395 (1968). To be sure, trade secrets are protected by state law, as recognized in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470 (1974), which appellant cites (J.S. 15). But even assuming that appellant would otherwise be entitled to trade secret protection (*but see* notes 12 & 13, *infra*), the Court in Kewanee expressly recognized (392 U.S. at 479-480, 493) that the protection of trade secrets may be modified by Congress. See also *Sears, Roebuck & Co.* v. *Stiffel Co.*, *supra*, 376 U.S. at 229, 231-233. When Congress so acts, it does not violate the Fifth Amendment.

It is true that the data were developed at substantial expense to appellant, and Congress recognized in the 1972 revision of Section 3(c)(1)(D) that compensation should be made for the benefits indirectly derived by others through EPA's consideration of the data. But in 1975 Congress made explicit its determination not to require compensation for data supplied in years long past.[10] Rather, Congress chose to strike a balance between "preventing the necessity of costly duplicative testing in order to produce governmentally-mandated data * * * [and] casting the entire burden upon the party first to meet the government requirements by producing and submitting that data" (J.S. App. 14a-15a). Congress chose January 1, 1970, as "a reasonable compromise between the competing interests of those seeking to register pesticide products * * * [in order] to end the problems delaying effective implementation of FIFRA" (J.S. App. 17a).[11]

[10]FIFRA was originally enacted in 1947. See note 2, *supra;* J.S. App. 2a.

[11]There is no merit to the contention of the *amici curiae* that the district court, in upholding this legislative judgment, subordinated Fifth Amendment analysis to consideration of congressional power under the Commerce Clause (Amici Br. 9-10). The district court recognized that "all great powers of Congress, including the commerce power upon which FIFRA is founded, are subject to the Fifth Amendment" (J.S. App. 11a).

Amici also attempt to introduce the question whether the Administrator is entitled to release to the public safety or efficacy data whose release would otherwise be prohibited by the trade secret provisions of Section 10(b) of FIFRA, 7 U.S.C. 136h(b) (Amici Br. 18). This question is irrelevant to the issue presented in this case, which is whether Section 3(c)(1)(D) of the Act works a taking of appellant's property. In any event, the question does not merit consideration by this Court, for Congress in the 1978 Act (see note 5, *supra*) endorsed the Administrator's interpretation of Section 10(b) and provided that safety and efficacy data should be available for public scrutiny notwithstanding the restrictions on release of other data. Federal Pesticide Act of 1978, Pub. L. No. 95-396, Section 15, 90 Stat. 819, 829-832.

Appellant's contention is, in effect, that Congress was compelled by the Fifth Amendment to set no cut-off date at all.[12] But as the district court held, "[t]he test of whether a particular enactment falls within the valid exercise of Congressional power so as not to run afoul of the Fifth Amendment is one of reasonableness" (J.S. App. 13a). The district court's analysis was in keeping with the body of Fifth Amendment law developed in this century. See *Penn Central Transportation Company* v. *New York City, supra,* slip op. 17-22. Not only is the scheme devised by Congress reasonable, but one "has difficulty ascertaining any real deprivation to [appellant]" (J.S. App.

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[12]If appellant is correct, one may question the constitutionality of various Acts of Congress that deprive persons of the "exclusive use" of intellectual property in return for a statutory advantage. Thus, the patent laws requre public disclosure of the invention—not simply disclosure to a government agency, as here. See *Kewanee Oil Co.* v. *Bicron Corp., supra,* 416 U.S. at 480-481. The copyright laws place copyrighted works in the public domain after the specified term and subject them to "fair use" even during that term. Appellant's position would also appear to be fatal to the compromise embodied in the Federal Pesticide Act of 1978, see note 5, *supra,* since that Act limits to 15 years the period during which compensation must be paid for EPA's use of data submitted after January 1, 1970.

17a).[13] The district court correctly concluded that the Act does not violate the Fifth Amendment.[14]

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[13]While appellant assserts that its pre-1970 data were "submitted confidentially" to EPA (J.S. 14), confidentiality is not at issue, since there is no claim that EPA has disclosed the data to others. Further, the district court found: "[U]nder the most credible view of the facts, * * * [appellant did not] have an expectation of compensation for its pre-1970 data. Under FIFRA prior to 1972, the Administrator of the EPA was not prohibited from considering one firm's data to support another firm's application, and did so routinely." J.S. App. 21a n.22. Appellant thus had no expectation, when it submitted its pre-1970 data to EPA in order to obtain statutory registration, that EPA would look at the data with blinders on.

Appellant's related policy arguments similarly lack substance. If data submitted before 1970 may be considered by EPA in support of other applications, but data submitted from 1970 on is protected, it is hard to see why "all those now developing and submitting intellectual property to EPA and to other agencies of the government will be discouraged," or why companies today "will hesitate to be the first to come forward with a new product * * *" (J.S. 18, 19). And if the "chilling effect" feared by appellant existed before 1972, when the protection appellant now claims the Fifth Amendment requires was not being provided (see J.S. App. 21a n.22), it is hard to understand why appellant was willing to make the research expenditures it did (see J.S. 10-11 & n. 10), or why "many pesticides are on the market today" (*id.* at 19).

[14]In the district court, EPA contended that even if there had been a taking of appellant's property, appellant was not entitled to injunctive relief because appellant was not entitled to exclusive use of its data and in any event there was an adequate remedy at law under the Tucker Act, 28 U.S.C. 1491 (J.S. App. 7a-8a & n.10). Because the district court found that there had been no taking, it did not reach these questions. If this Court notes probable jurisdiction, we shall support the judgment below on these grounds as well.

If appellant was not entitled to injunctive relief, it might be suggested that on this ground, as well as the ground discussed in note 7, *supra,* the three-judge court arguably was improperly convened

CONCLUSION

The judgment of the district court should be affirmed.

Respectfully submitted.

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NOVEMBER 1978

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under the former 28 U.S.C. 2282. See *Norton* v. *Mathews*, 427 U.S. 524, 528-530 (1976); *Coffman* v. *Breeze Corps.*, 323 U.S. 316, 322-323 (1945). We think, however, that appellant's prayer for injunctive relief was non-frivolous enough (see J.S. App.7a-8a n 9, 10) to meet the threshold jurisdictional test, even though it would ultimately be rejected. See *Regional Rail Reorganization Act Cases*, 419 U.S. 102 (1974); *Morales* v. *Turman*, 430 U.S. 322, 324 (1977).

DOJ-1978-11

No. 78-308

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On Appeal from the United States District Court for the Western District of Missouri

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REPLY MEMORANDUM FOR THE APPELLANT

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REPLY MEMORANDUM FOR THE APPELLANT

The Government's Motion to Affirm does not refute Appellant's central contention.

I

Mobay's valuable research, test information and data, including its trade secrets, submitted in confidence to EPA and its predecessors, are property. The Government has not contested this point in its Motion to Affirm, and is not in a position to do so.[1]

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[1] See Department of Justice, Attorney General's Memorandum on the Public Information Section of the Administrative Proce-

This Court has found similar collations of information and data to be property. *International News Service* v. *Associated Press*, 248 U.S. 215, 240 (1918) (collations of news have "all the attributes of property"). *Cf. Board of Trade* v. *Christie Grain & Stock Co.*, 198 U.S. 236, 250 (1905) ("... plaintiff's collection of quotations is entitled to the protection of the law. It stands like a trade secret. The plaintiff has the right to keep the work it has done, or paid for doing, to itself ..."); *Hunt* v. *New York Cotton Exchange*, 205 U.S. 322, 333 (1907) ("It is established that the quotations are property and are entitled to the protection of the law ..."); *Moore* v. *New York Cotton Exchange*, 270 U.S. 593, 605 (1926) ("In furnishing the quotations to one and refusing to furnish them to another, the exchange is but exercising the ordinary right of a private vendor of news or other property."

The cases cited by the Government (Motion to Affirm, p. 8, n.9) do not deal with the question presented here, but with questions of unfair competition in the

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dure Act, "A Memorandum for the Executive Departments and Agencies Concerning Section 3 of the Administrative Procedure Act, as revised effective July 4, 1967" (June 1967), p. 34, where the Department said:

> An important consideration should be noted as to formulae, designs, drawings, *research data*, etc., which though set forth on pieces of paper, are significant not as records but as *items of valuable property*. These may have been developed by or for the Government at great expense. There is no indication anywhere in the consideration of this legislation that the Congress intended, by subsection (c), to give away such property to every citizen or alien who is willing to pay the price of making a copy. Where similar *property* in private hands would be held in confidence, such *property* in the hands of the United States should be covered under exemption (c)(4). [5 U.S.C. § 552(b)(4)] [Emphasis supplied.]

use of fully disclosed but unpatentable items or trade secrets, *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230-231 (1964), *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 120-122 (1938), or unlawful use of copyrighted material, *Fortnightly Corp.* v. *United Artists Television, Inc.*, 392 U.S. 390, 393-395 (1968) (which turned on the definition of "performance" under the Copyright Act, not on use). The Court has provided equitable and other protection for those seeking to retain exclusive use of material which is not patented or copyrighted, *International News Service* v. *Associated Press*, 248 U.S. 215 (1918), or which is a trade secret, *Kewanee Oil Co.* v. *Bicron*, 416 U.S. 470 (1974).[2] As the Court noted in *INS, supra*, at 237, and also in *Christie Grain & Stock Co., supra*, at 250, "The plaintiff has the right to keep the work it has done, or paid for doing, to itself ...," or to put it another way, has a right of exclusive use of its property.[3]

II

The 1975 amendments to FIFRA, at issue here, effectuate an unconstitutional taking of Mobay's prop-

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[2] There the Chief Justice stated (416 U.S. at 475) that "The protection accorded the trade secret holder is against the disclosure *or unauthorized use* of the trade secret by those to whom the secret has been confided under the express or implied restrictions of non-disclosure or *non-use*." (Emphasis supplied.)

[3] The Motion to Affirm (p. 8, fn. 9) cites the dissenting opinion of Mr. Justice Brandeis in *International News Service* v. *Associated Press*, 248 U.S. 215, 250-251 (1918). But the passage cited supports Mobay's position. Intellectual property, the Justice said "become[s], *after voluntary communication to others*, free as the air to common use." (Emphasis supplied.) Here the information was communicated to the predecessors of EPA confidentially and for a specific purpose. The objective of this suit is to prevent its communication to others, a use beyond that purpose.

erty. None of the reasons advanced by the Government for reading a contrary conclusion will withstand scrutiny.

(1) The Government and the court below concluded that, because Mobay's data are not physically transferred to third parties, the benefit which accrues to such other parties from EPA's use of the data "does not rise to the level of a taking of . . . property." (Motion to Affirm, pp. 6-7; App. 19a.) Physical transfer of property to another has not been a prerequisite of a finding of unconstitutional taking. Even in connection with real property, this Court has said: ". . . we do not embrace the proposition that a 'taking' can never occur unless Government has transferred physical control over a portion of a parcel." *Penn Central Transportation Co.* v. *New York City,* No. 77-444, decided June 26, 1978 (Slip Op. at 17, n.25.)[4] The same principle applies here. The contention is that the Government, through EPA, can give third parties the benefit of the data, and that this does not constitute a taking. But the same benefit accrues to the third parties whether they are in physical possession of the data or not. Even without physical transfer, the data, Mobay's property, are utilized by the EPA in support of the third party's application for pesticide registration,

[4] *See also Aris Gloves, Inc.* v. *United States,* 190 Ct.Cl. 367, 374, 420 F.2d 1386, 1391 (1970) (It is "not necessary for [the United States] to have actually taken physical possession of plaintiff's property in order for there to have been a fifth amendment taking. A taking can occur simply when the Government by its action deprives the owner of all or most of his interest in property . . . [or] if the Government makes it possible for someone else to obtain the use or benefit of another person's property." (Citations omitted.)

which is exactly what would occur if the papers containing the data were physically transferred to the third parties.

Disclosure of the data to these third parties is similarly immaterial.[5] The significant fact is that the third party receives the benefit of Mobay's property. There is no way to escape the fact that this is the consequence of the Government's action.

(2) The Government says that Mobay has not "surrendered" pre-1970 data to EPA, but has only provided copies of the data to EPA. (Motion to Affirm, p. 8.) On this basis, it argues that there has been no diminution in Mobay's use of the data, and thus no "taking" in the constitutional sense.

It is not clear how Mobay could furnish the data to EPA except by providing copies of it. As Judge Friendly has noted, in connection with unlawful interstate transportation of "goods," where copies of confidential documents were made and transported, with no interstate transportation of the originals, it is the information, not the form in which it is contained, that is critical, and it is irrelevant that the information is found in copies rather than in original documents. *United States* v. *Bottone,* 365 F.2d 389, 393-394 (2d Cir.), *cert. denied,* 385 U.S. 974 (1966). Here too, it is the information that is critical, and this information is clearly taken for the use of others. What was once

[5] Such a disclosure has not been foreclosed here. On the contrary, as pointed out in the amicus brief of the Dow Chemical Company, *et al.* (p. 18), the Administrator has never abandoned his view that *no* safety or efficacy data submitted pursuant to the registration requirements of the Act constitute trade secrets and that such data are thereby required to be *publicly disclosed* pursuant to Section 3(c)(2) of the Act (see cases cited in amicus brief).

Mobay's property is gone. As the court said in *South Terminal Corp.* v. *EPA*, 504 F.2d 646, 649 (1st Cir. 1974), when "a right to use or burden property in a particular and permitted way [is] transferred from the original owner to another person, or to a governmental body," there is a taking under the Fifth Amendment.

Mobay did submit pre-1970 data to EPA and its predecessors, but it submitted those items for a specific purpose and in confidence. (See Jurisdictional Statement, p. 5 and n.3, describing regulations providing for confidentiality.) [6] Prior to the enactment of the

[6] The Government quotes, at p. 3 of the Motion to Affirm, from *Amchem Products Inc.* v. *GAF Corp.*, 391 F. Supp. 124, 128 (N.D. Ga. 1975), *vacated*, 529 F.2d 1297 (5th Cir. 1976), *reinstated on remand*, 422 F. Supp. 390 (N.D. Ga. 1976), *appeal docketed*, No. 76-3801 (5th Cir. 1977), to the effect that "the Department of Agriculture, which enforced FIFRA from its enactment in 1947 until 1970, 'routinely' and 'freely' considered data submitted under FIFRA by one firm in support of other firms' applications." This seems at least disingenuous. Not only is there no evidence to this effect in this record, but the *Amchem* case itself shows that it relates to data submitted "From June 4, 1971 through October 10, 1972," and "from July 17, 1970 until September 29, 1972." 391 F. Supp. at 125. Thus the case has nothing to do with data submitted before January 1, 1970. Nor does the court make any reference to the regulations of the Food and Drug Administration establishing confidentiality, which the Government likewise ignores here. The court below also relied on the *Amchem* opinion (App. A, p. 21, N.22), which was clearly unwarranted. See Rule 201, Federal Rules of Evidence.

When specifically asked in 1975 by Chairman Poague of the House Agricultural Committee whether the EPA had ever by regulation or any kind of publication announced it would consider data submitted by one applicant to support the registration of another, the only evidence the agency could furnish the Committee was its Interim Policy Statement of November 19, 1973. *See Hearings on H.R. 6387, H.R. 8841, S. 2375 before the House Committee on Agriculture*, 94th Cong., 1st Sess., pt. 2, 36-40 (Comm. Print 1976).

1972 amendments to FIFRA, Mobay had exclusive use of the data furnished to EPA and its predecessors under regulations providing for confidentiality. Mobay could have sold, licensed or retained exclusive use of the data. After passage of the 1975 Act, Mobay's exclusive right to the pre-1970 data was destroyed; under the statute, its data, including its trade secrets, are now available to all applicants for pesticide registration, without the consent of or any payment of compensation to Mobay.[7] Such availability eliminates any competitive advantage which accrued to Mobay by virtue of its exclusive knowledge and use of its pre-1970 data and provides large free-ride benefits to its competitors. Without any expenditures for research, development, and testing, the ability to use Mobay's data opens new markets for later registrant applicants.[8]

This Court has clearly stated that "the deprivation of the former owner rather than the accretion of a right or interest to the sovereign constitutes the taking." *United States* v. *General Motors Corp.*, 323 U.S. 373, 378 (1945). *See also Eyherabide* v. *United States*, 170 Ct.Cl. 598, 606, 345 F.2d 565, 570 (1965). Here the deprivation of Mobay's exclusive right to its property (including the right to sell, license or retain it) by the

[7] Any change in Mobay's expectations as to the confidential status and its exclusive use of its data surely constitutes what this Court, in characterizing *Pennsylvania Coal Co.* v. *Mahon*, 260 U.S. 393 (1922) (Holmes, J.), called a taking. It noted that a ". . . statute that substantially furthers important public policies may so frustrate distinct investment-backed expectations as to amount to a 'taking.'" *Penn Central Transportation Co.* v. *New York City*, *supra* (Slip Op. at 21).

[8] *Cf. Thompson* v. *Consolidated Gas Utilities Corp.*, 300 U.S. 55 (1937), in which the Court found an unconstitutional taking where one company's property was used, at least in part, to open new markets for another company.

government's use of that property, solely for the benefit of private parties, results in a taking of property.[9]

(3) The establishment of a statutory scheme creating two classes of data, one for which no consent or compensation is required, and one for which consent and compensation are required, and the establishment of January 1, 1970 as the point to distinguish between them, is neither "reasonable" (Motion to Affirm, p. 10.) nor relevant.

The lapse of time may affect the value of the property, but it does not affect its character. The Constitution does not suddenly exhaust itself. It is no less applicable to any value remaining in pre-1970 data.

As the Court found in *Thompson* v. *Consolidated Gas Utilities Corp.*, 300 U.S. 55, 79 (1937), there is "no more glaring instance of the taking of one man's property and giving it to another" than is found in the forced sharing of the property and markets created by a private party for the benefit of another private party. That is what happens here. Under the Act, Mobay's pre-1970 data must be freely shared with and for the benefit of other private parties. While the Government may contend that the EPA may derive some benefit from this statutory scheme, any "public desire . . . is not enough to warrant achieving the desire by a shorter cut than the constitutional way of paying for the change." *Pennsylvania Coal Co.* v. *Mahon*, 260 U.S. 393, 416 (1922) (Holmes, J., for the Court).

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[9] *Cf. Tektronix, Inc.* v. *United States*, 213 Ct. Cl. 257, 552 F.2d 343, 346, *modified*, 213 Ct. Cl. 307, 557 F.2d 265 (1977), *damages awarded*, —— Ct. Cl. ——, 575 F.2d 832 (1978), and 28 U.S.C. § 1498, where it is recognized that the Government, when its contractors, with its consent, make unauthorized use of patented or copyrighted material, has "taken" the property in question by eminent domain and is liable in damages.

As was noted in the Jurisdictional Statement (p. 9), the selection of the 1970 date has no rational basis. It was simply a compromise, which, as EPA's counsel noted, has the virtue of being a round number. (Jurisdictional Statement, p. 9, n.9.)[10] Congress never gave consideration to the constitutional question inherent in excluding pre-1970 data.[11] Legislative compromises are understandable, but Congress cannot compromise constitutional rights.

III

Further reason for the Court to give plenary consideration to this appeal is provided by the enactment of the Federal Pesticide Act of 1978, Pub. L. No. 95-396, 92 Stat. 819. Congress has retained the 1970 cut-off date to demarcate a line between data for which the originator is to receive the right of exclusive use or compensation for use by others. The new Act thus perpetuates the constitutional flaw found in the 1975

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[10] To set a cut-off date based on the view that recompense for use of "old data" provides its owners with a "windfall," because such data were "prepared without the reasonable expectation that the law would require the sharing of costs," H.R. Rep. No. 94-668, 94th Cong., 1st Sess. (1975) at 2, is not reasonable. Having submitted data to EPA and its predecessors under regulations requiring confidentiality (see Jurisdictional Statement, p. 5 and n.3), Mobay could not reasonably have expected that its data would be provided to anyone, and thus had no expectation that the costs of producing the data were to be shared. After abrogation of the confidentiality and right of exclusive use to which a data owner was entitled, provision of recompense for its use can hardly be said to be a "windfall." A cut-off date based on this fallacy cannot withstand analysis.

[11] Only Senator Allen raised any concern when, much before the "compromise," he stated that "on the question of making all of this data that has been filed up to the passage of this bill—making

amendments to FIFRA, and lends additional importance and urgency to the novel constitutional question presented here.

CONCLUSION

For the reasons set forth above and in the Jurisdictional Statement, probable jurisdiction should be noted.

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that, as I say, in the public domain. That would seem to be more or less confiscating all of this data." *Hearings on H.R. 8841, before the Subcomm. on Agricultural Research & General Legislation of the Comm. on Agriculture & Forestry,* 94th Cong., 1st Sess. 151 (1975). Senator Allen's question was never answered.

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SUPPLEMENTAL MEMORANDUM

This memorandum is filed to show that the Court has jurisdiction to entertain this appeal under 28 U.S.C. § 1253, and § 2282, since the suit was brought to restrain "the enforcement, operation or execution of any Act of Congress for repugnance to the Constitution of the United States."

I

In its Amended Complaint, Mobay expressly challenged the validity of a specific provision of P.L. 94-140, 89 Stat. 751, 755, which amends Section 3(c)(1)(D) of the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. § 136(c)). In the section of

the Amended Complaint entitled "Alleged Violations," Mobay asserted (p. 45) that "This limitation"—referring to the specific limitation of Section 3(c)(1)(D) to data submitted on or after January 1, 1970—"deprives plaintiff of its property without due process of law and effects a governmental taking of plaintiff's property for a private purpose and without just compensation in violation of the Fifth Amendment to the Constitution of the United States."

In the section of the Amended Complaint entitled "Relief Requested," Mobay asked that a "Three-Judge Court . . . grant plaintiff . . . equitable relief . . . on the grounds that that segment of Section 3(c)(1)(D) of FIFRA, as amended by Section 12 of Public Law 94-140, 94th Cong., 1st Sess., 89 Stat. 751, which limits the applicability of Section 3(c)(1)(D) to data submitted '. . . on or after January 1, 1970 . . .' is unconstitutional as to plaintiff in that such limitation deprives plaintiff of its property without due process of law and effects a governmental taking of plaintiff's property for private purposes and without just compensation in violation of the Fifth Amendment to the Constitution of the United States."[1] (Amended Complaint, pp. 47-48.) And finally, Mobay asserted that (Amended Complaint, p. 49):

> Plaintiff states that the injunctive relief prayed for in this Paragraph [enjoining EPA from considering Mobay data without permission or offer of compensation] would restrain the operation and execution of an Act of Congress for repugnance to the Constitution of the United States within the meaning of 28 U.S.C. Section 2282 which requires that such relief be granted by a Three-Judge Court convened and constituted as provided in 28 U.S.C. § 2284.

These sections quoted from the Amended Complaint show that Mobay directly challenged, on a constitutional basis, the validity of the 1975 amendment to FIFRA.[2] Mobay clearly requested an "injunction restraining the enforcement, operation or execution of [an] Act of Congress for repugnance to the Constitu-

[1] "An injunction seeking to restrain the operation of a statute as to a particular plaintiff is an action for 'an injunction restraining . . . execution' of a federal statute under 28 U.S.C. § 2282. *Schneider* v. *Smith*, 390 U.S. 17 (1968); *Federal Housing Administration* v. *The Darlington, Inc.*, 352 U.S. 977 (1957); *Harrison* v. *McNamara*, 228 F. Supp. 406 (D.C. Conn. 1964), *aff'd*, 380 U.S. 261 (1965)." *Melendez* v. *Shultz*, 486 F.2d 1032, 1033, n.2 (1st Cir. 1973).

[2] Thus, this is not a case involving the principle that "Where constitutional attack is directed solely against administrative action and does not implicate an Act of Congress" a three-judge court is not properly convened. (Motion to Affirm, p. 5, n.7). In so far as administrative action by EPA is involved, it is action directly in accordance with, and required by, the statute. This was shown by the Government itself in the "Defendant's Notice of Intention to Conform Stipulation and Agreement with Public Law 94-140, 89 Stat. 751," which it filed in the district court in this case on June 29, 1976. It there stated that "In order to bring defendant's procedures *into compliance with Public Law 94-140* and *to effectuate Congressional intent*, defendant . . . will . . . register applications [from other applicants] which rely on plaintiff's data if such data were submitted prior to January 1, 1970 . . ." (Emphasis supplied.)

The Government concedes that the constitutionality of the statute is drawn into question. See cases cited in Motion to Affirm, p. 11, n. 14, and in particular, *Sardino* v. *Federal Reserve Bank of New York*, 361 F.2d 106, 115 (2d Cir.), *cert. denied*, 385 U.S. 898 (1966), where the Second Circuit stated: "Acts of Congress are not self-enforcing and when the executive or administrative action complained of is so plainly directed or permitted by the statute that no fair construction could hold otherwise, . . . the constitutionality of the statute is necessarily drawn into question." (Citations omitted.)

tion of the United States . . ." 28 U.S.C. § 2282. This is not a case of administrators acting on their own. On the contrary, the actions complained of in the Amended Complaint are precisely those contemplated and directed by the statute. Thus, the validity of the statute is directly called into question. The three-judge court was properly convened.[3]

II

The Government also mentions the possibility (Motion to Affirm, p. 11, n. 14) that the Tucker Act, 28 U.S.C. § 1491, might provide Mobay an adequate remedy at law, and that, on this ground, the "three-judge

[3] This case involves a direct challenge to the constitutionality of a Federal Act. The policy Congress wished to further in creating Section 2282 is applicable here: "To prevent a single federal judge from being able to paralyze totally the operation of an entire regulatory scheme . . . by issuance of a broad injunctive order," *Kennedy* v. *Mendoza-Martinez*, 372 U.S. 144, 154 (1963), or, put another way, the saving of state and federal statutes from "improvident doom" at the hands of a single judge. *Phillips* v. *United States*, 312 U.S. 246, 251 (1941).

This case does not involve enjoining an "administrative order" as distinguished from "Acts of Congress." *Jameson & Co.* v. *Morgenthau*, 307 U.S. 171, 173-174 (1939). Nor is it a case where either no challenge was made to a federal statute or no injunction sought. See, *e.g.*, *Del Bourgo* v. *Mansfield*, 300 F. Supp. 500 (N.D. Cal. 1967), *on remand*, 300 F. Supp. 502 (N.D. Cal. 1968) (challenge to administrative forms as misleading and depriving plaintiff of rights); *Woodward* v. *Rogers*, 344 F. Supp. 974 (D. D.C. 1972), *aff'd*, 486 F.2d 1317 (D.C. Cir. 1973) (challenge only to administrative action requiring oath of allegiance as prerequisite to issuance of a passport); *Grutka* v. *N.L.R.B.*, 409 F. Supp. 133 (N.D. Ind. 1976) (no specific challenge made to any provision of federal statute as unconstitutional). Nor is this action brought merely to restrain an administrator who had "acted with too heavy a hand." *Sardino* v. *Federal Reserve Bank of New York*, *supra*, at 115-116.

court arguably was improperly convened under the former 28 U.S.C. 2282." This suggestion, as the government itself concludes, has no merit. The Court has noted that a three-judge court is properly convened when "the complaint at least formally alleges a basis for equitable relief." *Idlewood Liquor Corp.* v. *Epstein*, 370 U.S. 713, 715 (1962) (per curiam).[4] The Amended Complaint clearly did that and more. (See Section I, *supra*.) The Court said in *Morales* v. *Turman*, 430 U.S. 322, 324 (1977), that the jurisdictional issue should be determined as a "threshold question," and not as "one depending upon the shifting proof during litigation, injecting intolerable uncertainty and potential delay into important litigation."

This was the basis on which this Court proceeded in the *Regional Rail Reorganization Act Cases*, 419 U.S. 102 (1974). The ultimate determination there that a Tucker Act remedy was available, and that injunctive relief was therefore not available, did not render a three-judge court improperly convened, nor deprive this Court of jurisdiction. Here, as in the *Rail Reorganization Act Cases*, there is a substantial question as to the availability and adequacy of any remedy under the Tucker Act.

Among other things, the circumstances surrounding the adoption of this particular legislation leave it far from clear that Congress squarely contemplated the requirements of the Fifth Amendment, and that it

[4] The other criteria mentioned in *Idlewood* to determine whether a three-judge court is properly convened are also present here: *i.e.*, the constitutional question raised is substantial (*see* Jurisdictional Statement and *Goosby* v. *Osser*, 409 U.S. 512, 518 (1973)) and the case otherwise comes within the requirements of the jurisdictional statute. (*See* Jurisdictional Statement, pp. 1-2.)

would have enacted the limitation provision of Section 3(c)(1)(D) if it had understood that it involved a "taking." That question must be resolved before the Tucker Act comes into operation, and it is clearly a substantial question. Moreover, use by the Government of an unascertainable number of the petitioner's trade secrets on behalf of an unknown number of private companies, present and future applicants, is incapable of valuation within the meaning of the Fifth Amendment. Thus, monetary damages cannot provide adequate relief in the particular circumstances of this case.

CONCLUSION

This Court has jurisdiction under 28 U.S.C. §§ 1253 and 2282. The questions presented are substantial and novel. Probable jurisdiction should be noted.

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United States

OCTOBER TERM, 1978

MOBAY CHEMICAL CORPORATION,
Appellant,

vs.

DOUGLAS COSTLE, Administrator,
United States Environmental Protection Agency,
Appellee.

On Appeal from the United States District Court for the Western District of Missouri

BRIEF AMICI CURIAE IN SUPPORT OF JURISDICTIONAL STATEMENT

on Behalf of The Dow Chemical Company, American Cyanamid Company, Chevron Chemical Company, CIBA-GEIGY Corporation, E. I. duPont de Nemours & Company, Monsanto Company, Rohm and Haas Company, and Union Carbide Corporation

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INTEREST OF THE AMICI CURIAE

This Brief Amici Curiae is filed with the consent of appellant and appellee on behalf of eight significant developers and manufacturers of pesticide chemicals. As part of their normal product development and in order to comply with the registration requirements of the Federal Insecticide, Fungicide and Rodenticide Act, as amended

(FIFRA), each company has expended immense sums of money on research and development to test the safety, efficacy and environmental effects of their products. For example, The Dow Chemical Company alone expended in the past ten years in excess of 50 million dollars in the development of pesticide products and in obtaining registrations and tolerances. The other companies have similarly spent very large sums for such purposes. It is not unusual for testing expenditures on a single product to be seven to ten million dollars. Development costs have increased in recent years but were substantial even in the pre-1970 era. Current costs for redoing early testing would be very great.

The information developed as a result of such research and development, and the methodology employed include valuable trade secrets which give each company "an opportunity to obtain an advantage over competitors who do not know or use it" (Restatement, Torts (1939) § 757, comment b). Each company has developed unique methods of testing and analyses, particularly for the efficacy of the various products,[1] that are preserved in strict confidence. Duplication of the data by competitors would require the expenditure of very substantial time, effort and money and in some cases could not be accomplished without knowledge believed to be possessed by only one company. The EPA has therefore quite properly conceded in this case that the results of such effort and expense are

[1]Appellant has apparently withdrawn efficacy data from consideration by the court below, but amici believe such data are of great importance.

the "property" of the developing company (Jurisdictional Statement, Appx. A, p. 9a).[2]

The statutory provision in question authorizes the EPA to take a company's valuable trade secrets, submitted in support of registration applications prior to 1970, and to make them freely available for reference by its competitors who are seeking current registrations, without even an offer of compensation. That provision is contrary to basic fairness and to the Fifth Amendment. Contrary to the district court's suggestion (Jurisdictional Statement, Appx. A, p. 17a) the companies did not "voluntarily" disclose their valuable trade secrets to the Federal government. They were forced to do so as a condition of doing business. Their disclosure was solely for the limited purpose of satisfying the health, safety and environmental concerns of the registration requirements of the Act. Under the 1975 amendments to FIFRA, however, the agency now proposes, ex post facto, to utilize such proprietary information, not to satisfy the health, safety and environmental concerns of the Act, but for the private benefit of the competitors of the submitting companies.

Prior to 1970, with only isolated exceptions, the Department of Agriculture and the Food and Drug Administration did not permit use of one company's data to support another's registration.[3] When responsibilities under

[2]Despite early dictum possibly suggesting otherwise in *DuPont Powder Co.* v. *Masland* (1917) 244 U.S. 100, it is now settled that trade secrets are correctly viewed as the property of their owner (see *Kewanee Oil Co.* v. *Bicron Corp.* (1974) 416 U.S. 470, 478 (trade secrets are "intellectual property"); see generally, 1 Milgrim, Trade Secrets (1977) § 1.01, reviewing the authorities).

[3]The district court's statement to the contrary (Jurisdictional Statement, Appx. A, p. 21a, fn. 22) is unsupported by anything in the record and is incorrect (infra, pp. 19-20).

FIFRA were transferred to EPA in 1970, that practice changed, and EPA undertook to make the benefits of such research freely available to competitors. The broad-scale 1972 amendments to FIFRA, however, absolutely prohibited the use of one company's trade secrets in support of the registration applications of its competitors, and further required registrants to make "reasonable compensation" for the use of test data that were not trade secrets (86 Stat. 979-980, § 3(c)(1)(D)).

The Congress correctly recognized that "it might be unfair or inequitable for government regulation to require a substantial testing expense to be borne by the first applicant, with subsequent applicants thereby gaining a free ride" (Jurisdictional Statement, Appx. A, p. 15a). It would, in fact, have been unconstitutional. The use restriction and compensation provisions were intended to permit the first applicant for registration to recover its research costs which "may be very great," and thereby to "provide the necessary incentive for the production of safer and better pesticides to protect health and the environment" (S.Rept. No. 92-838, 92d Cong., 2d Sess., pt. II, 1972 U.S. Code Cong. & Admin.News, p. 4034).

Section 3(c)(1)(D) of FIFRA as amended in 1972 quite properly drew no distinction between data submitted before and after 1970, but applied equally to both. In the 1975 amendments to FIFRA, Congress for the first time established a 1970 cut-off date for both the use and compensation provisions of the 1972 Act (89 Stat. 755). Thus, under FIFRA as amended in 1975, registrants are absolutely free to support their own applications by reference to *any* registration data submitted by their competitors prior to

1970, including valuable trade secrets. As to post-1970 data, however, Congress continued the use restriction for trade secrets, and it continued the compensation provision for other test data on the ground that "all persons who wish to profit from the fruits of this expense should have to bear a fair share of the financial burden" (Jurisdictional Statement, Appx. A, p. 15a, fn. 14).

The 1970 cut-off date was purely and simply a legislative compromise, and nothing more. There was and is no constitutional basis for that line of demarcation. The result of the 1970 statutory cut-off date is to permit a company that has expended nothing for necessary research and testing to obtain a free ride at the expense of its competitors simply by incorporating their valuable trade secret data by reference in its own registration application for a product with the identical active ingredient. It is obvious that such a procedure appropriates the valuable property of one company for the private use and benefit of its competitors. At the very least, the Constitution requires that if the trade secret information of one company is taken for the benefit of its competitors, there must be compensation.[4]

The problem is of current importance. Although pre-1970 data is involved, the issue is whether EPA may freely make *current* use of it in support of the registration appli-

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[4]The amici believe that such an appropriation of trade secrets is for a private, not a public, use and therefore is absolutely prohibited by the Fifth Amendment (see, e.g., *Thompson* v. *Consolidated Gas Co.* (1937) 300 U.S. 55, 79-80; *Missouri Pacific Railway* v. *Nebraska* (1896) 164 U.S. 403, 417). At the minimum, however, there is a taking for which compensation is required. Since there is a taking without compensation in the instant case, it is unnecessary for this Court to reach the private use question.

cations of competitors of the submitting companies. For many valuable products, data supporting their registration will have been submitted prior to 1970. Examples of this situation are the Chevron Chemical Company products Captan and Dibrom, registrations for which were received for many uses prior to 1970, and which are still valuable products.

Nor is the issue limited to disclosures under FIFRA. As illustrated by *Chrysler Corporation* v. *Brown*, S.Ct. No. 77-922, now pending for decision by this Court, numerous Federal agencies presently purport to authorize the public disclosure of trade secret data of private businesses which they have obtained for regulatory and law enforcement purposes. That is true despite the fact that the Freedom of Information Act expressly exempts from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential," and despite 18 U.S.C. § 1905 which criminally prohibits such disclosures.[5] The agencies have done so on the theory, adopted by the Third Circuit in *Chrysler*, that the fourth exemption to the Freedom of Information Act is permissive, not mandatory, and that 18 U.S.C. § 1905 may be overriden by agency regulations authorizing disclosure. Although the constitutional issue is not before this Court in the *Chrysler* case,[6] the disclosure of trade secret data

[5]In the Brief for Respondents in the *Chrysler* case, the Solicitor General cites regulations of no less than 17 executive departments and independent agencies which he states authorize the disclosure of exempt materials under the Freedom of Information Act (pp. 26-27).

[6]The Third Circuit in *Chrysler* held that the Fifth Amendment issue was premature in that case because the agency had not finally decided to release the information (565 F.2d 1172, 1193). In this case, Congress has authorized the taking of Mobay's trade secrets, and EPA has used them for the benefit of its competitors.

under authority of such regulations would violate the Fifth Amendment just as do the statutory provisions at issue in the present case.

In addition, the Congress has recently provided for public disclosure of valuable proprietary data under other regulatory statutes. For example, the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.) (TOSCA), enacted in 1976 (Pub.L. 94-469), requires the submission of substantial quantities of trade secret and proprietary data to EPA (§§ 2603, 2604, 2607). The Act authorizes the public disclosure of health and safety studies including underlying proprietary test data (15 U.S.C. § 2613(b)). In addition, TOSCA authorizes disclosure of any trade secret data submitted pursuant to the Act to contractors with EPA (who may be competitors of the supplying company) if "necessary for the satisfactory performance" of their contracts, to the public if the Administrator "determines it necessary to protect health or the environment against an unreasonable risk," or "when relevant in any proceeding under this chapter" in which case confidentiality shall be preserved only "to the extent practicable without impairing the proceeding" (15 U.S.C. § 2613(a)). The constitutionality under the Fifth Amendment of these disclosure provisions is now being litigated in *Polaroid Corporation* v. *Costle* (D.Mass., Civil Action No. 78-1135-S).[7]

[7]In its Memorandum Opinion and Order granting a preliminary injunction against disclosure on June 22, 1978, the district court in *Polaroid* observed:

> "I find that release of the plaintiff's confidential information concerning its twenty chemicals into general trade channels would cause irreparable harm to the plaintiff, of such a drastic nature as to affect its employees and the economy of the immediate area in which it conducts its manufacturing operations. I find that if this confidential information is released as required by the exceptions to the confidentiality requirements

(footnote continued next page)

The provisions of FIFRA and TOSCA and the pervasive disclosure regulations of Federal agencies demonstrate the importance of the constitutional issue presented: the terms on which, if at all, a Federal agency may, pursuant to statute or regulation, take the valuable proprietary information of a business and disclose or use that information for the benefit of its competitors. The question is substantial and for that reason should receive plenary consideration by this Court. For the reasons stated below, this Court should note probable jurisdiction and, after hearing, reverse the judgment of the district court.

ARGUMENT

The district court, although purporting to recognize that trade secrets constitute valuable property to their owners, nevertheless sanctioned the destruction, without compensation, of the essential attribute of such property—the owner's ability to exclude competitors from its unauthorized use. In *Kewanee Oil Co.* v. *Bicron Corp.* (1974) 416 U.S. 470, this Court pointed out that under the "widely relied-upon definition of a trade secret found at Restatement of Torts § 757, comment b":

> "[a] trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know *or use it*" (416 U.S. 474-475) (emphasis supplied).

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listed above, there is a sufficient likelihood that the information will reach general channels of trade as to warrant this court's intervention" (pp. 4-5).

The district court's holding that the Administrator is free to use the trade secrets of Mobay Chemical Corporation for the benefit of its competitors rested on three erroneous propositions:

(1) The court was convinced that the statutory 1970 "cut-off" date for restrictions on the use of plaintiff's data was a valid exercise of Federal regulatory power under the Commerce Clause, and for that reason could not constitute a "taking" within the meaning of the Fifth Amendment (Jurisdictional Statement, Appx. A, pp. 13a-17a).

(2) The court concluded that there could be no "taking" of property even though the Administrator admittedly has appropriated plaintiff's data for the use and benefit of its competitors, on the theory that plaintiff retains the use of its data and the Administrator assertedly had not physically delivered it to plaintiff's competitors (Jurisdictional Statement, Appx. A, pp. 17a-19a).

(3) The court asserted that to compensate plaintiff for current use of its "old" data would constitute a "windfall."

None of these propositions can be squared with the taking decisions of this Court.

I. A REGULATORY STATUTE "TAKES" THE PROPERTY OF A BUSINESS WHEN IT APPROPRIATES IT TO BENEFIT ITS COMPETITORS, EVEN THOUGH THE STATUTE MAY OTHERWISE BE A VALID EXERCISE OF THE COMMERCE POWER.

The court below erroneously asserted that "[a]s long as the means chosen by Congress are reasonably appropriate to the legitimate Congressional purpose for which they are adopted, traditional private property rights must yield

where their exercise interferes with a Congressional proscription pursuant to a legitimate power of Congress" (Jurisdictional Statement, Appx. A, p. 13a). As the court believed that the statute was a valid exercise of power under the Commerce Clause, it therefore concluded that there was no "taking" under the Fifth Amendment.

The court's premise was incorrect. It is elemental that even on the assumption that a statute is within the scope of the commerce power and meets minimal due process standards of rationality, it is subject to the Fifth Amendment requirement that private property not be taken except for a public use and upon the payment of just compensation. The commerce power "must be exercised, when private property is taken, in subordination to the Fifth Amendment" (*United States* v. *Cress* (1917) 243 U.S. 316, 326). As this Court long ago emphasized in *Loan Association* v. *Topeka* (1874) 87 U.S. 655, 664:

> "To lay with one hand the power of the government on the property of the citizen, and with the other to bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less a robbery because it is done under the forms of law • • •."

The Commerce Clause cases cited by the district court in support of its expansive view of governmental power[8] presented no issue under the Taking Clause of the Fifth Amendment and are irrelevant to the instant case.

[8]The district court relied heavily on such cases as *U.S.* v. *Carolene Products Co.* (1938) 304 U.S. 144; *City of Atlanta* v. *National Bituminous Coal Com'n* (D.D.C. 1939) 26 F.Supp. 606, affirmed (1939) 308 U.S. 517; *Cloverleaf Co.* v. *Patterson* (1942) 315 U.S. 148; and *United States* v. *Darby* (1941) 312 U.S. 100 (Jurisdictional Statement, Appx. A, pp. 13a-14a).

Nor can the district court's decision be sustained, as it assumed, on the principle that an owner's own use of his property is subject to reasonable regulation to promote the public welfare, so long as some reasonable use of the property remains. This case is not remotely comparable to the regulation of use sustained in *Goldblatt v. Hempstead* (1902) 369 U.S. 590 (Jurisdictional Statement, Appx. A, p. 12a), or to the historic preservation law sustained in this Court's recent decision in *Penn Central Transportation Company* v. *City of New York* (June 26, 1978) ..... U.S. ....., 46 U.S. Law Week 4856. The issue here does not simply involve restrictions on an owner's use of his property, but an appropriation of the trade secrets of a private business for the benefit of its competitors. The difference is real and substantial. As this Court recognized in *United States* v. *Cress* (1917) 243 U.S. 316, "it is the character of the invasion, not the amount of damage resulting from it, so long as the damage is substantial, that determines the question whether it is a taking" (243 U.S. 328; see also *Penn Central Transportation Company* v. *City of New York* (June 26, 1978) ..... U.S. ....., 46 U.S. Law Week 4856, 4862; *United States* v. *Causby* (1946) 328 U.S. 256, 266).[9]

The difference between valid regulation of an owner's own use of his property and its appropriation for the benefit of others is illustrated by this Court's decision in *Missouri*

[9]As the court explained in *South Terminal Corp.* v. *Environmental Protection Agcy.* (1 Cir. 1974) 504 F.2d 646, 679, although a "particular use of a parcel of property may be regulated or forbidden," there is a taking where the right to use property is "transferred from the original owner to another person" (504 F.2d 679; accord, see, e.g., *Mugler* v. *Kansas* (1887) 123 U.S. 623, 668-669 (Harlan, J., for the Court)).

Pacific Railway v. *Nebraska* (1896) 164 U.S. 403. The State Board of Transportation had ordered the railroad to permit the installation of a private grain elevator on its right of way. The Board found that existing facilities were inadequate and that installation of the elevator would "not materially affect the defendant in the use of its grounds, or be an unreasonable burden to the defendant" (164 U.S. 409). This Court held that even though the railroad held its right of way "for the public use for which it was incorporated," the order to permit a private third party to enjoy the benefit of the right of way was an invalid taking of private property:

> "[T]he order in question, so far as it required the railroad corporation to surrender a part of its land to the petitioners, for the purpose of building and maintaining their elevator upon it, was, in essence and effect, a taking of private property of the railroad corporation, for the private use of the petitioners. The taking by a State of the private property of one person or corporation, without the owner's consent, for the private use of another, is not due process of law, and is a violation of the Fourteenth Article of Amendment of the Constitution of the United States" (164 U.S. 417).

The Court saw the clear difference between regulation of the railroad's facilities or rates on the one hand, and the order in question on the other:

> "Nor does this case show any such exercise of the legislative power to regulate the conduct of the business, or the rate of tolls, fees or charges, either of railroad corporations or of the proprietors of elevators, as has been upheld by this court in previous cases" (164 U.S. 416).

The instant case raises no question as to the validity of the government's legitimate regulatory activity, which requires a business seeking registration to provide the Agency with the information necessary to determine the safety, efficacy and environmental acceptability of the products that the applicant wishes to sell. What is at issue is the statutory provision that additionally authorizes the Administrator to use that proprietary information, not for the proper regulatory purposes of FIFRA, but for the benefit of private competitors who have made no contribution to its development (see also *Thompson* v. *Consolidated Gas Co.* (1937) 300 U.S. 55, 79-80).

For the same reason, the district court's reliance on cases holding that government regulatory programs are not invalid because of the "incidental benefits to third parties" that they may occasion was misplaced (Jurisdictional Statement, Appx. A, p. 21a). This case does not involve "incidental" benefits to others as the inevitable result of the registration scheme (e.g., *Kaukauna Co.* v. *Green Bay &c. Canal* (1891) 142 U.S. 254; Jurisdictional Statement, Appx. A, p. 22a), but the intentional appropriation to competitors of the benefits of registrants' trade secrets. The district court acknowledged that the 1970 cut-off date for protection of registrants' proprietary data is in no way necessary or even related to the safety, efficacy and environmental concerns of the registration program itself (Jurisdictional Statement, Appx. A, p. 17a). It was simply a legislative compromise of the private interests of those companies that wished to protect their valuable research and development efforts from unfair competitive exploita-

tion on the one hand, and those companies that sought to obtain a "free ride" on the other:

> "[I]t appears that the dominant Congressional purpose was to reach a *reasonable compromise between the competing interests of those seeking to register pesticide products* and thereby to end the problems delaying effective implementation of FIFRA" (Jurisdictional Statement, Appx. A, p. 17a) (emphasis supplied).

A statute designed to confer benefits on one segment of an industry at the expense of another may not be sustained on the theory that it confers "incidental" benefits on third parties.

II. A TRADE SECRET IS "TAKEN" FROM A COMPANY WHEN IT IS USED FOR THE BENEFIT OF ITS COMPETITORS.

The district court reasoned that there could be no "taking" of trade secrets and other confidential commercial information so long as the owner also retained their use and they were not physically delivered to its competitors (Jurisdictional Statement, Appx. A, p. 18a). Even if the court were correct in believing that there was no disclosure, its conclusion was erroneous.[10] The very essence of a trade secret consists in the owner's ability *exclusively* to use and control it. The value of a trade secret is that it gives a business "an opportunity to obtain an advantage over competitors who do not know *or use* it" (Restatement, Torts (1939) § 757, comment b) (emphasis supplied). "What is of value is not the idea alone, but the capacity to turn the idea to a productive use" (Milgrim,

[10]The district court's conclusion that the EPA does not actually disclose trade secrets to competing companies was incorrect (see infra, p. 18).

Trade Secrets (1967) § 2.02, p. 2-13). For that reason, "[m]isappropriation of a process, formula or other trade secret matter * * * is generally sanctioned by a restraint on the *use* of the * * * trade secret" (id., § 7.08[1][b]) (emphasis supplied).

The common law protects against the unauthorized disclosure of a trade secret because such disclosure may lead to its unauthorized use. But it equally protects against the unauthorized use, for the benefit of others, of a trade secret by one to whom it has been lawfully disclosed. Comment c to section 757 of the Restatement of Torts provides:

> "c. *Disclosure or use.* One who has a trade secret may be harmed merely by the disclosure of his secret to others *as well as by the use of his secret in competition with him.* A mere disclosure enhances *the possibilities of adverse use.* * * * The rule stated in this Section protects the interest in a trade secret against *both disclosure and adverse use.*
>
> "The duties not to disclose *and not to use* another's trade secret are not, however, necessarily concomitant, though they are frequently found together. Thus, a former employee to whom the secret was communicated in the course of his employment may be under both duties (see Restatement of Agency, §§ 395 and 396). * * * Or the manufacturer may be permitted to use the secret only in the manufacture of products for the owner, with a duty not to disclose the secret *or use it in the manufacture of products on his own account or for others*" (emphasis supplied).

In this case, the Administrator is under a duty not only not to disclose the valuable proprietary data of registrants, but also not to make unauthorized use of such data for the benefit of their competitors. Just as in *Penna. Coal Co.* v. *Mahon* (1922) 260 U.S. 393, Justice Holmes for the Court recognized that "[t]o make it commercially impracticable to mine certain coal has very nearly the same effect for constitutional purposes as appropriating or destroying it" (260 U.S. 414), so the use of a trade secret for the benefit of competitors of its owner is the equivalent of its disclosure to them. As a practical matter, the issue presented by this case is no different than if the Administrator made a practice of disclosing trade secrets to competing registrants for the purpose of preparing their applications.

The district court's holding rested in part on its belief that a "persuasive argument" could be made that the patent laws are the exclusive means of protection of proprietary information and that "information, research, and test data which is not patentable simply is not protectable under the Constitution" (Jurisdictional Statement, Appx. A, pp. 18a-19a, fn. 19). In reaching this conclusion, the court inexplicably failed to cite this Court's decision in *Kewanee Oil Co.* v. *Bicron Corp.* (1974) 416 U.S. 470, holding that the patent laws are not the exclusive protection for an enterprise which has utilized its resources and know-how to develop a product which puts it a step ahead of its competitors. The trade secret law also has a vital role to play in overcoming the unfairness and impediment to essential commercial research that would result from unrestricted use of valuable trade secret information. In *Board of Trade* v. *Christie Grain & Stock Co.* (1905) 198 U.S. 236, this Court recognized that:

> "The plaintiff has the right to keep the work which it has done, or paid for doing, to itself. The fact that others might do similar work, if they might, does not authorize them to steal the plaintiff's. • • • The plaintiff does not lose its rights by communicating the result to persons, even if many, in confidential relations to itself, under a contract not to make it public, and strangers to the trust will be restrained from getting at the knowledge by inducing a breach of trust and using knowledge obtained by such a breach. • • • Time is of the essence in matters like this, and it fairly may be said that, if the contracts with the plaintiff are kept, the information will not become public property until the plaintiff has gained its reward" (198 U.S. 250-251).

In *A. O. Smith Corporation* v. *Petroleum Iron Works Co.* (6 Cir. 1934) 73 F.2d 531, 539, the court similarly emphasized that although a trade secret may not be patentable, that fact:

> "• • • cannot destroy the value of the discovery to one who makes it, or advantage the competitor who by unfair means, or as the beneficiary of a broken faith, obtains the desired knowledge without himself paying the price in labor, money, or machines expended by the discoverer" (73 F.2d 538, 539).

The district court in the instant case failed to recognize that the value of a trade secret is equally appropriated to competitors without them "paying the price in labor, money, or machines expended by the discoverer" whether the Administrator directly discloses it to them, or uses it without authority in support of their registration applications.

Moreover, the district court erred in its conclusion that "the data is not transferred by the agency to any third parties." There is nothing in the record to support this conclusion. It is true that section 10(b) of FIFRA on its face prohibits public disclosure of information which "contains or relates to trade secrets or commercial or financial information obtained from a person and privileged or confidential." Despite this mandatory language, however, the Administrator adopted the view that *no* safety or efficacy data submitted pursuant to the registration requirements of the Act is a trade secret, and that such data are required to be publicly disclosed under section 3(c)(2) of the Act (see *Chevron Chemical Company* v. *Costle* (N.D. Cal. 1978) 443 F.Supp. 1024; *Mobay Chemical Corp.* v. *Costle* (W.D.Mo. 1978) 447 F.Supp. 811, 824-827; *Dow Chemical Company* v. *Costle* (E.D.Mich., Civil Action No. 76-10087, Nov. 16, 1977)). Despite judicial repudiation of this untenable position (ibid.) the Administrator has never abandoned his impermissibly restrictive approach to the construction of section 10(b). There was thus no basis for the district court's conclusion that the Administrator does not or will not disclose registrants' trade secrets to their competitors.

III. COMPENSATION FOR THE USE OF PRE-1970 DATA WOULD NOT BE "WINDFALL," BUT IS A CONSTITUTIONAL REQUIREMENT.

There is no support for the district court's view that "granting plaintiff the right to compensation for all data regardless of submission [date] would create a 'windfall' for plaintiff" (Jurisdictional Statement, Appx. A, pp. 20a-21a). The district court apparently based this conclusion on congressional reports suggesting that there was no "reasonable expectation that the law would require sharing of the costs of production" of data submitted before 1970 and that "prior to 1972, the Administrator of the EPA was not prohibited from considering one firm's data to support another firm's application, and did so routinely" (Jurisdictional Statement, Appx. A, pp. 15a-16a, 21a, fns. 14, 22).

The district court disregarded the fact that both under the common law and the Fifth Amendment to the Constitution, a private business *does* have a "reasonable expectation" that government officials will not misappropriate, for the benefit of its competitors, proprietary information that it has submitted in confidence solely in order to comply with regulatory requirements. And a private company *does* have a reasonable expectation under the Fifth Amendment that if such unauthorized conversion of its valuable property occurs, it will at the very least be compensated.[11] Such compensation is not a "windfall." It is a constitutional requirement.

The district court did not explain why compensation for *current* use of pre-1970 data would be a "windfall," whereas compensation for post-1970 data would not be a "windfall." As previously noted (supra, p. 5), the 1970 cut-off date was a legislative compromise which has no constitutional basis. It was, as pointed out in appellant's jurisdictional statement, selected because it had "the virtue of being a round number • • • they compromised on January 1, 1970. Just that simple • • •" (p. 9, fn. 9).

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[11]For this reason, the government has recognized that when its contractors, with its consent, make unauthorized use of patented or copyrighted material, the United States is liable for damages because it has "taken" the property in question by eminent domain (see, e.g., *Tektronix, Inc.* v. *United States* (Ct.Cl. 1977) 552 F.2d 343, 346; 28 U.S.C. § 1498).

There is also no evidence in the record to support the district court's assertion that prior to 1970 the EPA "routinely" considered all registrants' data in support of the applications of others. In fact that was not true. Such use, if it occurred at all, was isolated and unusual. That is why there was no judicial controversy over such unauthorized use until the EPA assumed responsibilities for administration of the Act in 1970. And even if there had been instances of such use prior to 1970, that would be irrelevant to the present controversy. Both before and after 1970, the Fifth Amendment at the very least required compensation for such improper use. Even assuming that uncompensated violations of the Fifth Amendment occurred prior to 1970, that fact could provide no basis for permitting their continuation when, as in the present case, they are challenged in court.

CONCLUSION

For the reasons stated, this Court should note probable jurisdiction and, after hearing, reverse the judgment of the district court.

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